



RAND WEST CITY LOCAL MUNICIPALITY

SUPPLY CHAIN MANAGEMENT POLICY 2017-2018

Policy: <i>SCM POLICY</i>	Effective Date: 1 st July 2017
Approved: SP.10/30/05/2017	Review Date: 30/05/2017

Notwithstanding the review date herein, this policy shall remain effective until such time approved otherwise by council and may be reviewed on an earlier date if necessary.

The Council resolves in terms of Section 111 of the Local Government Municipal Finance Management Act (No. 56 of 2003), to adopt the following proposal as the Supply Chain Management Policy of the **Rand West City Local Municipality**.

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CHAPTER 1: IMPLEMENTATION OF THE SUPPLY CHAIN MANAGEMENT POLICY

1. REVIEW OF THE POLICY

- 1.1. The CFO will be the official responsible for implementation of this policy and SCM Unit.
- 1.2. The implementation of this policy must be reviewed at least annually to ensure that it is aligned with the legislative environment.
- 1.3. When deemed necessary on an ad hoc basis, the CFO must submit proposals for the amendment of the policy to Council through the relevant structures.
- 1.4. If the CFO submits proposed amendments to the Council that differ from the model policy issued by National Treasury, the CFO must:
 - 1.4.1. Ensure that, such proposed amendments comply with the Regulations.
 - 1.4.2. Report any deviation from the model policy to National Treasury and the relevant Provincial Treasury.

2. DISTRIBUTION OF THE POLICY

- 2.1. All changes must be distributed to all the role players.
- 2.2. All recipients are to sign for receipt of the documentation.
- 2.3. After changes have been made, updated hard copies (and electronic copies) must be sent at least to the following parties:
 - 2.3.1. Finance Portfolio Committee (Sub-committee of Council);
 - 2.3.2. Accounting Officer;
 - 2.3.3. Chief Operations Officer;
 - 2.3.4. Chief Financial Officer;
 - 2.3.5. All Executive Directors; and All MANCO members.

3. PURPOSE

This Supply Chain Management Policy and Procedure Manual represent the minimum standards that staff members are expected to apply in their procurement activities. The overall objective of this policy and procedure manual is:

- 3.1. To ensure efficient, effective and uniform planning for and procurement of goods, services and/or works, required for proper functioning of SDM as well as the sale and letting of assets;
- 3.2. To give effect to section 217 of the Constitution of the Republic of South Africa by

implementing a system that is fair, equitable, transparent, competitive and cost-effective;

- 3.3. To comply with all provisions of MFMA including the Municipal Supply Chain Management Regulations published under GN868 in Government Gazette 27636 30 May 2005 and any National Treasury Guidelines issued in terms of MFMA;
- 3.4. To ensure, that the goods and services required, are aligned to both the IDP and budget of SDM.
- 3.5. To obtain best value for money when procuring goods and services.
- 3.6. To ensure that the objectives of uniformity in supply chain management systems between organs of state, in all spheres, is not undermined and that consistency with national economic policy on the promotion of investments and doing business with the public sector is maintained.

4. TERMINOLOGY ABBREVIATIONS

5. DEFINITIONS

In this Policy, unless the context otherwise indicates, a word or expression to which a meaning has been assigned in the Act has the same meaning as in the Act, and

“BBBEE Status Level Certificate” means a certificate issued by an Auditor registered with the Independent Regulatory Board of Auditors or Accounting Officer as contemplated in Sec 60(4) of the Close Corporations Act, 1984 (Act No.9 of 1984) or an accredited verification agency registered with South African National Accreditation Systems

“Competitive bidding process” means a competitive bidding process referred to in paragraph 12 (1) (d) of this Policy;

“Competitive bid” means a bid in terms of a competitive bidding process;

“Days” means calendar days

“Exempted micro enterprises” means enterprises with a turnover as per the table below:

Legislation and/or Charter	Annual Turnover
BBBEE	Less than R10 million
Tourism Charter (Tourism Industry)	Less than R2.5 million
Construction Charter (Construction Industry)	Less than R5 million

“Emergency” means an unexpected or sudden event that must be dealt with urgently as the situation may give rise to the interruption of municipal services (essential or otherwise) that may possibly result in:

- Threats to human life or safety;

- An increase in human suffering;
- A negative impact on human rights;
- Damage to property;
- Suffering or death of animals;
- Damage to the environment;
- The municipality incurring significant expense; or
- A compromise to the security of the state.

“Final award”, in relation to bids or quotations submitted for a contract, means the final decision on which bid or quote to accept;

“Formal written price quotation” means quotations referred to in paragraph 12 (1) (d) of this Policy;

“In the service of the state” means to be –

- a member of –
- any municipal council;
- any provincial legislature; or
- the National Assembly or the National Council of Provinces;
- a member of the board of directors of any municipal entity;
- an official of any municipality or municipal entity;
- an employee of any national or provincial department, national or provincial public entity or constitutional institution within the meaning of the Public Finance Management Act, 1999 (Act No.1 of 1999);
- a member of the accounting authority of any national or provincial public entity; or an employee of Parliament or a provincial legislature;

“Long term contract” means a contract with a duration period exceeding one year;

“List of accredited prospective providers” means the list of accredited prospective providers which the **municipality** must keep in terms of paragraph 14 of this policy;

“Other applicable legislation” means any other legislation applicable to municipal supply chain management, including –

The Preferential Procurement Policy Framework Act, 2017 (Act No. 5 of 2000); as amended

The Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003); and

The Construction Industry Development Board Act, 2000 (Act No.38 of 2000);

“Treasury guidelines” means any guidelines on supply chain management issued by the Minister in terms of section 168 of the Act

“The Act” means the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003);

“The Regulations” means the Local Government: Municipal Finance Management Act, 2003, Municipal Supply Chain Management Regulations published by Government Notice 868 of 2005;

“Working days” means days excluding weekends and public holidays

“B-BBEE” means broad-based black economic empowerment as defined in section 1 of The Broad-Based Black Economic Empowerment Act;

“B-BBEE status level of contributor” means the B-BBEE status of an entity in terms of A code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Black designated groups” has the meaning assigned to it in the codes of good practice issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Black people” has the meaning assigned to it in section 1 of the Broad-Based Black Economic Empowerment Act;

“Broad-Based Black Economic Empowerment Act” means the Broad-Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003);

“Co-operative” means a co-operative registered in terms of section 7 of the Cooperatives Act, 2005 (Act No. 14 of 2005);

“Designated group” means-

- (a) Black designated groups;
- (b) Black people;
- (c) Women;
- (d) People with disabilities; or
- (e) Small enterprises, as defined in section 1 of the National Small Enterprise Act, 1996 (Act No. 102 of 1996);

“Designated sector” means a sector, sub-sector or industry or product designated in terms of regulation 8(1) (a);

“EME” means an exempted micro enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Functionality” means the ability of a tenderer to provide goods or services in accordance with specifications as set out in the tender documents;

Indigent – means needy and impoverished households as defined in our Indigent Policy

“Military veteran” has the meaning assigned to it in section 1 of the Military Veterans Act, 2011 (Act No. 18 of 2011);

“National Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999);

“People with disabilities” has the meaning assigned to it in section 1 of the Employment Equity Act, 1998 (Act No. 55 of 1998);

“Price” includes all applicable taxes less all unconditional discounts;

“Proof of B-BBEE status level of contributor” means-

- (a) The B-BBEE status level certificate issued by an authorized body or person;
- (b) A sworn affidavit as prescribed by the B-BBEE Codes of Good Practice; or
- (c) Any other requirement prescribed in terms of the Broad-Based Black Economic Empowerment Act;

“QSE” means a qualifying small business enterprise in terms of a code of good practice on black economic empowerment issued in terms of section 9(1) of the Broad-Based Black Economic Empowerment Act;

“Rand value” means the total estimated value of a contract in Rand, calculated at the time of the tender invitation;

“Rural area” means-

- (a) A sparsely populated area in which people farm or depend on natural resources, including villages and small towns that are dispersed through the area; or
- (b) An area including a large settlement which depends on migratory labour and remittances and government social grants for survival, and may have a traditional land tenure system;

“Stipulated minimum threshold” means the minimum threshold stipulated in terms of Regulation 8(1) (b);

“The Act” means the Preferential Procurement Policy Framework Act, 2000 (Act No. 5 of 2000); revised and amended 2017 Act

“Township” means an urban living area that any time from the late 19th century until 27 April 1994, was reserved for black people, including areas developed for historically disadvantaged individuals post 27 April 1994;

“Treasury” has the meaning assigned to it in section 1 of the Public Finance Management Act, 1999 (Act No. 1 of 1999); and

“Youth” has the meaning assigned to it in section 1 of the National Youth Development Agency Act, 2008 (Act No. 54 of 2008).

“Written or verbal quotations” means quotations referred to in paragraph 12(1) (b) of this Policy.

CHAPTER 1

IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT POLICY

6. Supply chain management policy

6.1 All officials and other role players in the supply chain management system of the municipality must implement this Policy in a way that –

- (a) gives effect to –
 - (i) section 217 of the Constitution; and
 - (ii) Part 1 of Chapter 11 and other applicable provisions of the Act;
- (b) is fair, equitable, transparent, competitive and cost effective;
- (c) complies with –
 - (i) the Regulatory framework prescribed in Chapter 2 of the Regulations; and
 - (ii) any minimum norms and standards that may be prescribed in terms of section 168 of the Act;
- (d) is consistent with other applicable legislation;
- (e) does not undermine the objective for uniformity in supply chain management systems between organs of state in all spheres; and
- (f) is consistent with national economic policy concerning the promotion of investments and doing business with the public sector.

6.2 This Policy applies when the municipality

- (a) procures goods or services;
- (b) disposes of goods no longer needed;

- (c) selects contractors to provide assistance in the provision of municipal services otherwise than in circumstances where Chapter 8 of the Municipal Systems Act applies; or
 - (d) selects external mechanism referred to in section 80(1)(b) of the Municipal Systems Act for the provision of municipal services in circumstances contemplated in section 83 of that Act
- 6.3 This Policy, except where provided otherwise, does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act including:
- (a) water from the Department of Water Affairs or a public entity, another municipality or a municipal entity; and
 - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity.

7. Amendment of the supply chain management policy

- 7.1 The accounting officer must –
- (a) at least annually review the implementation of this Policy; and
 - (b) when the accounting officer considers it necessary, submit proposals for the amendment of this Policy to the council
- 7.2 If the accounting officer submits proposed amendments to the council that differs from the model policy issued by the National Treasury, the accounting officer must –
- a) ensure that such proposed amendments comply with the Regulations; and
 - b) Report any deviation from the model policy to the National Treasury and the relevant provincial treasury.
- 7.3 When amending this supply chain management policy the need for uniformity in supply chain practices, procedures and forms between organs of state in all spheres, particularly to promote accessibility of supply chain management systems for small businesses must be taken into account.

8 Delegation of supply chain management powers and duties

- 8.1 The **council** hereby delegates all powers and duties to the accounting officer which are necessary to enable the accounting officer –
- (a) to discharge the supply chain management responsibilities conferred on accounting officers in terms of –
 - (i) Chapter 8 of the Act; and
 - (ii) this Policy;
- 8.2 to maximize administrative and operational efficiency in the implementation of this Policy;
- (b) to enforce reasonable cost-effective measures for the prevention of fraud, corruption, favoritism and unfair and irregular practices in the implementation of

- this Policy; and
- (c) To comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Act.
- 8.3 Sections 79 and 106 of the Act apply to the sub delegation of powers and duties delegated to an accounting officer in terms of subparagraph (1).
- 8.4 The accounting officer may not sub delegate any supply chain management powers or duties to a person who is not an official of the municipality or to a committee which is not exclusively composed of officials of the municipality;
- 8.5 This paragraph may not be read as permitting an official to whom the power to make final awards has been delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

9 Sub delegations

- 9.1 The accounting officer may in terms of section 79 or 106 of the Act sub delegate any supply chain management powers and duties, including those delegated to the accounting officer in terms of this Policy, but any such sub delegation must be consistent with subparagraph (2) of this paragraph and paragraph 4 of this Policy.
- 9.2 The power to make a final award –
- 9.2.1 above R10 million (VAT included) may not be sub delegated by the accounting officer;
 - 9.2.2 above R2 million (VAT included), but not exceeding R10 million (VAT included), may be sub delegated but only to –
 - 9.2.3 the chief financial officer;
 - 9.2.4 a bid adjudication committee of which the chief financial officer or a senior manager is a member is a member;
- 9.3 not exceeding R2 million (VAT included) may be sub delegated but only to
- 9.3.1 the chief financial officer;
 - 9.3.2 a senior manager
 - 9.3.3 a manager directly accountable to the chief financial officer or a senior manager or
 - 9.3.4 a bid adjudication committee
- 9.4 An official or bid adjudication committee to which the power to make final awards has been sub delegated in accordance with subparagraph (2) must within five days of the end of each month submit to the official referred to in subparagraph (4) a written report containing particulars of each final award made by such official or committee during that month, including–
- (a) the amount of the award;
 - (b) the name of the person to whom the award was made; and
 - (c) The reason why the award was made to that person.
- 9.5 A written report referred to in subparagraph (3) must be submitted –
- (a) to the accounting officer, in the case of an award by –
 - (i) the chief financial officer;

- (ii) a senior manager
 - (iii) a bid adjudication committee of which the chief financial officer or a senior manager is a member; or
 - (b) to the chief financial officer or the senior manager responsible for the relevant bid, in the case of an award by –
 - (i) a manager referred to in subparagraph (2)(c)(iii); or
 - (ii) A bid adjudication committee of which the chief financial officer or a senior manager is not a member.
- 9.6 Subparagraphs (3) and (4) of this policy do not apply to procurements out of petty cash.

9.7 This paragraph may not be interpreted as permitting an official to whom the power to make final awards has been sub delegated, to make a final award in a competitive bidding process otherwise than through the committee system provided for in paragraph 26 of this Policy.

9.8 No supply chain management decision-making powers may be delegated to an advisor or consultant.

10 Oversight role of council

10.1 The council must maintain oversight over the implementation of this Policy.

10.2 For the purposes of such oversight the accounting officer must –

- (a) Within 30 days of the end of each financial year, submit a report on the implementation of this Policy and the supply chain management policy of any municipal entity under the sole or shared control of the municipality, to the council of the municipality; and
 - (b) Whenever there are serious and material problems in the implementation of this Policy, immediately submit a report to the council
- 10.3 The accounting officer must, within 10 days of the end of each quarter, submit a report on the implementation of the supply chain management policy to the mayor;
- 10.4 The reports must be made public in accordance with section 21A of the Municipal Systems Act:
- 10.6 by displaying the documents at the municipality's head and satellite offices and libraries;
 - 10.7 by displaying the documents on the municipality's official website, if the municipality has a website as envisaged by section 21B;

- 10.8 By notifying the local community, in accordance with section 21, of the place, includes the website address, where detailed particulars concerning the documents can be obtained.

11 Supply chain management unit

- 11.1 A supply chain management unit is hereby established to implement this Policy.
- 11.2 The supply chain management unit operates under the direct supervision of the chief financial officer or an official to whom this duty has been delegated in terms of section 82 of the Act, provided that no sub delegation is made to a person who is not an employee of the Municipality.

12 Training of supply chain management officials

- 12.1 The Accounting Officer shall ensure that officials involved in the implementation of the SCM system and policy are trained in accordance with the Municipal Regulations on Minimum Competency levels and any other Treasury Guidelines on SCM training;
- 12.2 The Accounting Officer must provide resources or opportunities for training of relevant officials to meet the prescribed competency levels;
- 12.3 All bid committee members must be trained on the implementation of the SCM Policy using relevant SETA accredited institutions

CHAPTER 2

SUPPLY CHAIN MANAGEMENT SYSTEM

13 Format of supply chain management system

This Policy provides systems for –

- 13.1 demand management;
- 13.2 acquisition management;
- 13.3 logistics management;
- 13.4 disposal management;
- 13.5 risk management; and
- 13.6 Performance management.

Part 1: Demand management

14 System of demand management

- (1) The accounting officer must establish and implement an appropriate demand management system in order to ensure that the resources required by the

municipality support its operational commitments and its strategic goals outlined in the Integrated Development Plan.

- (2) The demand management system must –
 - (a) include timely planning and management processes to ensure that all goods and services required by the municipality are quantified, budgeted for and timely and effectively delivered at the right locations and at the critical delivery dates, and are of the appropriate quality and quantity at a fair cost;
 - (b) take into account any benefits of economies of scale that may be derived in the case of acquisitions of a repetitive nature; and
 - (c) Provide for the compilation of the required specifications to ensure that its needs are met.
 - (d) To undertake appropriate industry analysis and research to ensure that innovations and technological benefits are maximized.

14.1 Duties of the Executive Managers

Each Executive Manager shall during preparation of his/her directorate's estimates for the budget year:

- (a) Determine which functions it must perform;
- (b) Determine products and services and resources required to perform those functions;
- (c) Take note of the IDP projects; and
- (d) Ensure that approved projects on the IDP are implemented.

14.2 Establishment of an Annual Procurement Plan

The Supply chain management shall after considering the SDBIP of the municipality, compile a schedule of all projects with an estimated value above R200, 000 (VAT inclusive) projects in respect of each financial year.

The schedule of capital projects must be for a financial year and be reviewed when the IDP is reviewed. During consultations between SCM and all other departments, all reasonable efforts shall be made to determine:

- (a) The desired date and time at which a specific project must be awarded;
- (b) The desired date of tender advertisement
- (c) The desired date and time when the implementation or delivery of goods and services must take place;
- (d) The place where delivery must be effected;
- (e) The quantity and quality of any goods to be supplied; and
- (f) And any other relevant matter

Part 2: Acquisition management

15 System of acquisition management

- (1) The accounting officer must implement the system of acquisition management set out in this Part in order to ensure –
 - (a) that goods and services are procured by the municipality in accordance with authorised processes only;
 - (b) that expenditure on goods and services is incurred in terms of section 15 of the Act:
 - (i) In terms of an approved budget

- (ii) Within the limits of the amounts appropriated for the different votes in an approved budget
 - (c) that the threshold values for the different procurement processes are complied with;
 - (d) that bid documentation, evaluation and adjudication criteria, and general conditions of a contract, are in accordance with any applicable legislation;
 - (e) That any Treasury guidelines on acquisition management are properly taken into account.
- (2) This policy does not apply in respect of the procurement of goods and services contemplated in section 110(2) of the Act, including:
- (a) Water from the Department of Water Affairs or a public entity, another municipality or a municipal entity and
 - (b) Electricity from Eskom or another public entity, another municipality or a municipal entity
 - (c) Membership fees payable to professional bodies
 - (d) Purchase of license fees
 - (e) Tuition and enrolment fees payable through bursaries
 - (f) National and Local Media platform in reaching out to the community
- (3) When procuring goods or services contemplated in section 110(2) of the Act, the accounting officer must make public the fact that such goods or services are procured otherwise than through the municipality's supply chain management system, including -
- (a) the kind of goods or services; and
 - (b) The name of the supplier

16 Range of procurement processes

- (4) Subject to paragraph 11(2) of this policy, goods and services may only be procured by way of –
- (a) petty cash purchases, up to a transaction value of R2,000 (VAT included);
 - (b) written or verbal quotations for procurements of a transaction value over R2,000 up to R10 000 (VAT included);
 - (c) At least 3 formal written price quotations for procurements of a transaction value over R10 000 up to R200 000 (VAT included); and
 - (d) a competitive bidding process for–
 - (i) procurements above a transaction value of R200 000 (VAT included); and
 - (ii) The procurement of long term contracts.
- (5) The accounting officer may, in writing-
- (a) lower, but not increase, the different threshold values specified in subparagraph (1); or
 - (b) direct that –
 - (i) written or verbal quotations be obtained for any specific procurement of a transaction value lower than R2,000
 - (ii) formal written price quotations be obtained for any specific procurement of a transaction value lower than R10 000; or
 - (iii) A competitive bidding process be followed for any specific procurement of a transaction value lower than R200 000.
- (6) Goods or services must not deliberately be split into parts or items of a lesser value merely to avoid complying with the requirements of the policy. When determining

transaction values, a requirement for goods or services consisting of different parts or items must as far as possible be treated and dealt with as a single transaction.

17 General preconditions for consideration of written quotations or bids

- (1) A written quotation or bid may not be considered unless the provider who submitted the quotation or bid –
 - (a) has furnished that provider's –
 - (i) full name;
 - (ii) identification number or company or other registration number; and
 - (iii) tax reference number and VAT registration number, if any;
 - (b) has supplied the municipality with the tax clearance certificate as confirmation that the tax matters are in order; and
 - (c) has indicated –
 - (i) whether he or she is in the service of the state, or has been in the service of the state in the previous twelve months;
 - (ii) if the provider is not a natural person, whether any of its directors, managers, principal shareholders or stakeholder is in the service of the state, or has been in the service of the state in the previous twelve months; or
 - (iii) Whether a spouse, child or parent of the provider or of a director, manager, shareholder or stakeholder referred to in subparagraph (ii) is in the service of the state, or has been in the service of the state in the previous twelve months.

18 Lists of accredited prospective providers

- (1) In relation to the accreditation of prospective service providers:
 - (a) The accounting officer must –
 - (i) keep a list of accredited prospective providers of goods and services registered on the Central Supplier Database of National Treasury upon meeting mandatory requirements as part of the listing criteria of Rand West City that must be used for the procurement requirements through written quotations and formal written price quotations; and
 - (ii) at least once a year through newspapers commonly circulating locally, the website and any other appropriate ways, invite prospective providers of goods or services to apply for evaluation and listing as accredited prospective providers using the CSD supplier number starting with MAAA;
 - (b) Specify the listing criteria for accredited prospective providers and
 - (c) disallow the listing of
 - (i) Any prospective provider not registered in the CSD.
 - (ii) Any service provider whose tax matters are not in order
- (2) The list must be updated quarterly to include any additional prospective providers and any new commodities or types of services. Prospective providers must be allowed to submit applications for listing at any time.
- (3) The list must be compiled per commodity and per type of service.

18.1 Application Details

The following essential information from each prospective provider must be obtained to allow for an establishment of a supplier's profile:

- 18.1.1 Name of Entity and / or Trading Name;
 - 18.1.2 Physical and Postal Address;
 - 18.1.3 Entity Type (e.g. Close Corporation, Private Company, Partnership, Corporative, etc.);
 - 18.1.4 Company registration documents;
 - 18.1.5 Contact Details (Telephone number, fax number and/or email address);
 - 18.1.6 Name(s) of Director(s), member(s), partner(s), owner(s);
 - 18.1.7 Shareholding percentage;
 - 18.1.8 BBEE Level Certificate;
 - 18.1.9 Proof of that entity's tax affairs are in order (Tax Clearance Certificate);
 - 18.1.10 Entity's clearance that municipal rates and taxes and utilities account are not in arrears for more than 90 days;
 - 18.1.11 List of products/services offered; and / or
 - 18.1.12 Proof of Banking details by means of confirmation from the bank e.g. cancelled cheque or a bank letter;
- 18.2 Accreditation for listing on the Supplier database
- The Accounting officer or his/her nominee must develop accreditation criteria to be used when evaluating responses from prospective providers. The Service Provider's compliance with the essential requirements must be evaluated to determine whether or not the entity qualifies for listing on RWLM database of accredited service providers.
- 18.2.1 The accreditation criteria must be determined prior to the request for submission is sent out;
 - 18.2.2 All information pertaining to the service providers shall be treated as confidential and maintained as such;
 - 18.2.3 Successful applicants shall be informed accordingly, and any reasons for non-inclusion in the supplier database shall be furnished to the unsuccessful applicants on request.
- 18.3 Use of the accredited supplier database
- When using the accredited supplier database, the Accounting Officer shall:
- (a) Ensure that on-going competition is promoted by using the supplier database on a rotational basis;
 - (b) Ensure that at least three suppliers are invited to submit quotations. In an instance where a commodity is used frequently and there are more than one hundred suppliers in that commodity, more suppliers may be invited in one instance; and
 - (c) In an instance where no suitable service providers exists on the database, quotations may be sourced from providers who are not listed on the database, however they must comply with the listing criteria.
- 18.4 Deactivate accredited service provider on the supplier database
- An accredited service provider must be deactivated from the database list under the following circumstances:
- (a) On request;
 - (b) Non-compliance with relevant legislations;
 - (c) Proven fraud and corruption;
 - (d) Proven non-delivery and/or unsatisfactory performance, after written notice was given to that bidder on at least three occasions, particularly for emerging

suppliers
An entity ceases to exist

- (e) If on routine checks, it is established that the entity status according to Company Intellectual Property Commission has changed to “Deregistration Final”;
- (f) Service Providers must be informed in writing once they have been removed from the supplier database. The supplier must be given an opportunity to challenge the reasons for removal on the supplier database.

19 Uplifting of Township-based suppliers

The accounting officer must –

- (a) keep a list of accredited prospective Rand West Local Municipality Township-based suppliers of goods and services that may be used for the procurement requirements through written or verbal quotations and formal written price quotations;
- (b) At least twice a year through newspapers commonly circulating locally, the website and notice boards, invite local suppliers to update details as well as apply for listing. The list should be updated to include newly established local businesses;
- (c) The sourcing of quotations must be done without marginalizing other prospective suppliers outside townships;
- (d) The invitation of price quotations from the List of Township-based suppliers should be done on a rotational basis to promote ongoing competition amongst locally based suppliers;
- (e) In order to ensure fairness, quotations must be sourced from local Township-based suppliers, cooperatives and other listed suppliers outside the townships.

20 Promotion and development of cooperatives

The accounting officer may consider–

- (a) The establishment of a database of pre-qualified service providers that are cooperatives for prioritized commodities / services. Procurement should be targeted for RFQ process only, that means that the procurement should not exceed R 200 000.
- (b) An advertisement should be open to all cooperatives to ensure competitiveness;
- (c) When sourcing quotations for identified services / goods, Rand West may rotate suppliers from both supplier databases (i.e. supplier database and cooperative database) to ensure equal opportunities and fairness in the process;
- (d) Once the database of cooperatives is established, control measures should be put in place to ensure that rotation is done in a manner that guarantees equal opportunity for all registered cooperatives. The criteria for listing of cooperatives should be established and standards should be set that cooperatives should meet to be eligible to register. The database should be updated regularly to allow new entrants an opportunity to be developed.
- (e) The development and promotion of cooperatives should also be encouraged through sub-contracting in the bidding processes. The Accounting Officer (through the Bid Specification Committee) may include a condition in its bidding documents for prioritized commodities or services that:
“A successful bidder must sub-contract a pre-determined percentage of its work to cooperatives identified by Rand West City”.

- (f) This will ensure that even if a cooperative does not win a contract according to the point scoring, they are still guaranteed work by the municipality through sub-contracting.
- (g) The condition to sub-contract a certain percentage of the contract should be made public through the advertisement;
- (h) The project manager, in conjunction with the contractor and consultant, should decide on the appointment of a cooperative for sub-contracting purposes using the list of approved cooperatives on a justifiable basis.

21 Petty Cash Purchases (0 up to a maximum of R2, 000)

(This section is not applicable to salary and wage pay-outs made from petty cash through the salary office)

The conditions for the procurement of goods and services by means of petty cash purchases referred to in paragraph 12(1)(a) of this Policy are as follows:

- (a) The relevant Executive Manager/ Manager of delegated official to authorize all petty cash purchases, up to a maximum of R2000 per transaction
- (b) The following expenditure may only be incurred from petty cash in cases of urgency:
 - (i) Any item that is a stores stock item
- (c) A quarterly report from the chief financial officer must be provided to the Finance Portfolio on the total amount of petty cash purchases.
- (d) If any department or section does not comply with the abovementioned or any other requirements from the Expenditure Section, the Chief Financial Officer will terminate their option to procure through petty cash

21.1 General Petty Cash Rules

The intention of the petty cash is to facilitate the smooth running of the office with the least administration burden

- (a) The Executive Manager or his/her delegate that reports directly to him/her must authorize petty cash purchases
- (b) Petty cash may not be utilized for procurement of the following items:
 - (i) Items available on contract;
 - (ii) Items available from pre-established sources e.g. panels of service providers;
 - (iii) Professional services;
 - (iv) Petrol, Diesel and lubricants; and
 - (v) Subsistence Travel; and
 - (vi) Items available at stores
- (c) The number and / or transaction values of petty cash purchases per month may not exceed R5000 per department
- (d) Payments will be made to the service provider that rendered the goods and / services, either by cheque or electronic fund transfer (left),
- (e) Official whom the cash was given to, must submit a receipt to payments section within two days;
- (f) Failure to submit the receipt, will result to the money being deducted from the official's salary,
- (g) Petty cash forms must be completed by the requesting official;
- (h) The following conditions should apply to petty cash

- (i) Cash purchases may only be made against available funds;
- (ii) All transactions must be recorded and documentary evidence must be kept
- (iii) Proof of payment must be in a form of cash register slip or receipt which indicates the description of items purchased

22 Written or verbal quotations (0 to R10, 000)

The conditions for the procurement of goods or services through written or verbal quotations are as follows:

- (a) Quotations must be obtained from at least three different providers preferably from, but not limited to, providers whose names appear on the list of accredited prospective providers of the municipality or municipal entity, provided that if quotations are obtained from providers who are not listed, such providers must meet the listing criteria in the supply chain management policy required by paragraph 14(1) (b) and (c) of this policy
- (b) To the extent feasible, suppliers should be requested to submit quotations in writing
- (c) If it is not possible to obtain at least three quotations, the reasons must be recorded and reported quarterly to the accounting officer or another official designated by the accounting officer
- (d) The accounting officer must record the names of the potential providers requested to provide such quotations with their quoted prices
- (e) If a quotation was submitted verbally, the order may be placed only against written confirmation by the selected provider.

22.1 Information on the request for quotations

Request for quotations must be generated from the supply chain system using the accredited supplier database on a rotational basis. The following information must be on the request for quotations:

- (a) Name and address of the municipality;
- (b) Quotation reference number (system generated)
- (c) Contact details of the supply chain official (fax number, telephone number and email address);
- (d) Clear description of goods or services required;
- (e) Quantity of items required where applicable; and
- (f) Date and time by which the quotations must reach the municipality.

23 Formal quotations

23.1. Formal written price quotations (R10, 000 to R200, 000)

- (i) The procedure for the procurement of goods or services through formal written price quotations, is as follows:
 - 23.1.1 quotations must be obtained in writing from at least three different providers whose names appear on the list of accredited prospective providers of the municipality;
 - 23.1.2 Quotations may be obtained from providers who are not listed, provided that such providers meet the listing criteria set out in paragraph 14(1)(b) and (c) of this policy
 - 23.1.3 If it is not possible to obtain at least three quotations, the reasons must be recorded and approved by the chief financial officer or an official designated by the chief

financial officer and

23.1.4 The accounting officer must record the names of the potential providers and their written quotations

23.1.5 A designated official referred to in subparagraph (1) (c) must within three days of the end of each month report to the chief financial officer on any approvals given during that month by that official in terms of that subparagraph

23.2. Procedures for procuring goods or services through written or verbal quotations and formal written price quotations

- (1) The procedure for the procurement of goods or services through written or verbal quotations or formal written price quotations is as follows:
 - (a) All requirements in excess of R30,000 (VAT included) that are to be procured by means of formal written price quotations must, in addition to the requirements of paragraph 17, be advertised for at least seven days on the website and an official notice board of the Municipality
 - (b) When using the list of accredited prospective providers the accounting officer must promote ongoing competition amongst providers by inviting providers to submit quotations on a rotation basis
 - (c) The accounting officer must take all reasonable steps to ensure that the procurement of goods and services through written or verbal quotations or formal written price quotations is not abused
 - (d) Offers received must be evaluated on a comparative basis taking into account unconditional discounts
 - (e) The chief financial officer must on a monthly basis be notified in writing of all quotations and formal written price quotations accepted by an official acting in terms of a sub delegation
 - (f) Offers below R30,000 (VAT included) must be awarded based on compliance to specifications and conditions of contract, ability and capability to deliver the goods and services and lowest price
 - (g) Acceptable offers, which are subject to the preference points system (PPPFA and associated regulations), must be awarded to the bidder who scored the highest points
 - (h) All procurement must refer to the General Conditions of Contract, as approved by National Treasury

23.3. Information on the request for formal written quotations

The following information must be on the request for formal written quotations:

- (a) Clear and detailed description of goods and / or services required;
- (b) Quantity of items required where applicable;
- (c) Unit of measure where applicable;
- (d) Date and time by which quotations must reach the municipality;
- (e) Date, time and venue of the briefing/site inspection where applicable;
- (f) Evaluation criteria and weighting of the preferential points; and
- (g) Any other information applicable to the proposal

23.4. Information to be submitted to the requesting department

The function or responsibility of sourcing quotations is vested with the supply chain management unit. Upon receipt of the requisition from requesting department, the

supply chain unit must furnish the requesting department with the following:

- (a) Request for quotations sent to service providers with the supporting quotations;
- (b) Evaluation report whereby preference points are allocated;
- (c) Recommendation on which service provider must be awarded the contract; and
- (d) Bidders must be requested to submit a tax clearance certificate and proof that the utilities accounts are not in arrears for more than 90 days.

24 Competitive bids

- (1) Goods or services above a transaction value of R200 000 (VAT included) and long term contracts should only be procured through a competitive bidding process, subject to paragraph 11(2) of this Policy.
- (2) No requirement for goods or services above an estimated transaction value of R200 000 (VAT included), may deliberately be split into parts or items of lesser value merely for the sake of procuring the goods or services otherwise than through a competitive bidding process.

25 Process for competitive bidding

- (1) The procedures for the following stages of a competitive bidding process are as follows:
 - (a) Compilation of bidding documentation as detailed in paragraph 21;
 - (b) Public invitation of bids as detailed in paragraph 22;
 - (c) Site meetings or briefing sessions as detailed in paragraph 22;
 - (d) Handling of bids submitted in response to public invitation as detailed in paragraph 23;
 - (e) Evaluation of bids as detailed in paragraph 28;
 - (f) Award of contracts as detailed in paragraph 29;
 - (g) Administration of contracts
 - (i) After approval of a bid, the accounting officer and the bidder must enter into a written agreement.
 - (h) Proper record keeping
 - (i) Original / legal copies of written contracts agreements should be kept in a secure place for reference purposes.

26 Bid documentation for competitive bids

- (1) The criteria to which bid documentation for a competitive bidding process must, in addition to paragraph 13, –
 - (a) Take into account –
 - (i) The general conditions of contract and any special conditions of contract, if specified
 - (ii) Any Treasury guidelines on bid documentation
 - (iii) The requirements of the Construction Industry Development Board, in the case of a bid relating to construction, upgrading or refurbishment of buildings or infrastructure;
 - (b) Include the preference points system to be used, goals as contemplated in the Preferential Procurement Regulations and evaluation and adjudication criteria, including any criteria required by other applicable legislation;
 - (c) Compel bidders to declare any conflict of interest they may have in the transaction for which the bid is submitted
 - (d) If the value of the transaction is expected to exceed R10,million (VAT

included), require bidders to furnish:

- (i) If the bidder is required by law to prepare annual financial statements for auditing or independent review, their audited or reviewed financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years
 - (ii) If the bidder is not required by law to prepare annual financial statements for auditing or independent review, then their unaudited annual financial statements –
 - (aa) for the past three years; or
 - (bb) since their establishment if established during the past three years
 - (iii) a certificate signed by the bidder certifying that the bidder has no undisputed commitments for municipal services towards a municipality or other service provider in respect of which payment is overdue for more than 30 days;
 - (iv) particulars of any contracts awarded to the bidder by an organ of state during the past five years, including particulars of any material non-compliance or dispute concerning the execution of such contract;
 - (v) a statement indicating whether any portion of the goods or services are expected to be sourced from outside the Republic, and, if so, what portion and whether any portion of payment from the Municipality or Municipal Entity is expected to be transferred out of the Republic
- (f) Stipulate that disputes must be settled by means of mutual consultation, mediation (with or without legal representation), or, when unsuccessful, through binding arbitration.
- (g) The following information or documentation must at all times be included on the bid document:
- (i) Copy of the advert;
 - (ii) Tender number;
 - (iii) Closing date and time;
 - (iv) Evaluation criteria;
 - (v) Preferential Point allocation in terms of paragraph 62 of this policy;
 - (vi) Contact details of SCM officials and user department;
 - (vii) Terms of reference and /or specifications; and
- (h) All tender adverts must be approved by the Accounting Officer prior to placing on media; and
- (i) User department must verify the correctness of the advert prior to approval by the Accounting Officer
 - (j) Bids must be submitted on the bid document provided by the municipality

26.1 Requirements for bids in excess of R10million (all applicable taxes included)

Prior to the public advertisement of bids in excess of R10 million (vat

included), the responsible Executive Manager must furnish the SCM with proof that there is budget allocation for the expenditure

26.2 Confirmation of bidding process for bid in excess of R10million (all applicable taxes included)

The CFO must verify in writing prior to the award, that budgetary provision exist for the acquisition of goods/services in excess of R10million

- (a) Internal Audit must
 - (i) Compile a risk based audit plans,
 - (ii) Review internal control measures;
 - (iii) Ensure that the requirement of National Treasury Circular 62 is sufficiently and adequately covered in the annual coverage plan
 - (iv) Be alert of fraud risks and design the audit procures and indicators that will reasonably assist in preventing and detecting potential or actual fraud and corruption
- (b) The Accounting Officer may at his/her discretion request internal audit function to carry out an audit and provide an opinion on the compliance with the requirements of this policy
- (c) Where bid involve the procurement of Internal Audit Services, the Accounting Officer may request an Audit function of another organ of state to conduct the compliance verification, subject to the oversight of the Audit Committee

27 Public invitation for competitive bids

27.1 The procedure for the invitation of competitive bids, is as follows:

- (a) Any invitation to prospective providers to submit bids must be by means of a public advertisement in newspapers commonly circulating locally, the website of the municipality or any other appropriate ways (which may include an advertisement in the Government Tender Bulletin); and
- (b) the information contained in a public advertisement, must include –
 - (i) the closure date for the submission of bids, which may not be less than 30 days in the case of transactions over R10 million (VAT included), or which are of a long term nature, or 14 days in any other case, from the date on which the advertisement is placed in a newspaper, subject to subparagraph (2) of this policy;
 - (ii) a statement that bids may only be submitted on the bid documentation provided by the municipality; and
 - (iii) Date, time and venue of any proposed site meetings or briefing sessions.

27.2 The accounting officer may determine a closure date for the submission of bids which is less than the 30 or 14 days requirement, but only if such shorter period can be justified on the grounds of urgency or emergency or any exceptional case where it is impractical or impossible to follow the official procurement process.

27.3 Bids submitted must be sealed.

27.4 Where bids are requested in electronic format, such bids must be supplemented by sealed hard copies

28 Procedure for handling, opening and recording of bids

28.1 The procedures for the handling, opening and recording of bids, are as follows:

28.1.1 Bids–

- (i) must be opened only in public;
 - (ii) must be opened at the same time and as soon as possible after the period for the submission of bids has expired; and
 - (iii) Received after the closing time may not be considered and returned unopened immediately.
- 28.1.2 Any bidder or member of the public has the right to request that the names of the bidders who submitted bids in time must be read out and, if practical, also each bidder's total bidding price;
- 28.1.3 No information, except the provisions in subparagraph (b), relating to the bid should be disclosed to bidders or other persons until the successful bidder is notified of the award; and
- 28.1.4 The accounting officer must –
 - (i) record in a register all bids received in time;
 - (ii) make the register available for public inspection
 - (iii) publish the entries in the register and the bid results on the website
- 28.2 Opening of bids
 - (a) All quotations i.e. responses received in terms of procurement mechanisms below the value of R200 000, 00 [VAT included], are excluded from public bid openings. When such quotations are opened, the names of the bidders who responded are therefore not to be read out.
 - (b) All formal written quotations, addressed to the Municipality, shall be opened by the Manager Supply Chain or his/her delegate.
 - (c) As each bid is opened, the name of the bidder and the amount shall be read out. A supply chain official shall date-stamp the bid or quotation and all enclosures related to prices, delivery periods and special conditions. Bids and quotations shall be numbered in the sequence in which they have been opened. In instances where only one bid has been received the word **“and only”** shall be endorsed on such bid.
 - (d) Where prices have not been inserted in all relevant spaces on the form and such items have not been deleted by bidders, such spaces shall be Stamped **“no price”** by the official who opens the bids or quotations. The Municipality reserves the right not to disclose bid prices.
 - (e) All Bids and formal written quotations opened should be registered in the Bid Register.
- 28.3 Validity Period of bids
 - (a) Bid document must specify that bid received are to remain valid for 90 days from the closing date of the bid
 - (b) The Accounting Officer may request bidders in writing to extend the validity period of bids beyond 90 days
 - (c) The validity period may not exceed 120 working days
 - (d) The Accounting Officer may request the extension of validity period prior to the 90 days expiry date
- 28.4 Briefing and/or Site Inspection
 - (a) There must be a compulsory briefing and/or site inspection for all construction related projects
 - (b) The briefing session may be held where necessary for other procurement
 - (c) A register of all attendees at the briefing and/or site must be completed with the following minimum information
 - (i) The name of the company
 - (ii) The name of the company representative

- (iii) Contact details
- (d) All briefing and/or site inspections must be minuted

29 Negotiations with preferred bidders

29.1 The accounting officer may negotiate the final terms of a contract with bidders identified through a competitive bidding process as preferred bidders, provided that such negotiation –

- (a) does not allow any preferred bidder a second or unfair opportunity;
- (b) is not to the detriment of any other bidder; and
- (c) Does not lead to a higher price than the bid as submitted.

29.2 Minutes of such negotiations must be kept for record purposes.

Communication with bidders

- (a) Where bids and quotations have been submitted to the municipality, a bidder may enquire from supply chain about the status of the bid;
- (b) No municipal personnel may communicate with a bidder or any other party who has an interest in a bid, during the period between the closing date for the receipt of the bid or quotation (or date of receipt of an offer), and the date of notification of the successful bidder of acceptance of his bid, quotation of offer, except as provided for in paragraph (c) below. Every such case of unauthorized communication shall forthwith be reported to the Accounting Officer as well as the chairperson of the Bid Adjudication Committee.
- (c) The chairperson of the Bid Evaluation Committee or Bid Adjudication Committee, may authorize an official, in writing, to communicate with a bidder during the period mentioned in subsection (b) above for the purpose of:-
 - (i) explaining and verification of declarations made in the bid response;
 - (ii) confirming technical particulars and be compliance thereof with specifications;
 - (iii) clarifying delivery times/quantities;
 - (iv) extending the validity period of a bid;
 - (v) Clarifying any other commercial aspect.
- (d) In all cases where authority has been granted to communicate with bidders in terms of paragraph (c) above, it must be clearly stated in the submission to the Bid Adjudication Committee the nature of the communication as well as by whom such authority to communicate has been granted.

30 Two-stage bidding process

30.1 A two-stage bidding process is allowed for –

- (a) large complex projects;
- (b) projects where it may be undesirable to prepare complete detailed technical specifications; or
- (c) Long term projects with a duration period exceeding three years.

30.2 In the first stage technical proposals on conceptual design or performance specifications should be invited, subject to technical as well as commercial clarifications and adjustments.

30.3 In the second stage final technical proposals and priced bids should be invited.

31 Committee system for competitive bids

31.1 A committee system for competitive bids is hereby established, consisting of the following committees for each procurement or cluster of procurements as the

- accounting officer may determine:
- (a) a bid specification committee;
 - (b) a bid evaluation committee; and
 - (c) a bid adjudication committee;
- 31.2 The Accounting Officer appoints the members of each committee, taking into account section 117 of the Act:
No councilor of any municipality may be a member of a municipal bid committee or any other committee evaluating or approving tenders, quotations, contracts or other bids, nor attend any such meeting as an observer.
- 31.3 A neutral or independent observer, appointed by the accounting officer, may attend or oversee a committee when this is appropriate for ensuring fairness and promoting transparency.
- 31.4 The committee system must be consistent with –
- 31.4.1 paragraph 27, 28 and 29 of this Policy; and
 - 31.4.2 Any other applicable legislation.
- 31.5 The accounting officer may apply the committee system to formal written price quotations.

32 Bid specification committees

- (1) The bid specification committee must compile the specifications for each procurement of goods or services by the municipality
- (2) Specifications –
 - (a) must be drafted in an unbiased manner to allow all potential suppliers to offer their goods or services;
 - (b) must take account of any accepted standards such as those issued by Standards South Africa, the International Standards Organization, or an authority accredited or recognized by the South African National Accreditation System with which the equipment or material or workmanship should comply
 - (c) must, where possible, be described in terms of performance required rather than in terms of descriptive characteristics for design;
 - (d) may not create trade barriers in contract requirements in the forms of specifications, plans, drawings, designs, testing and test methods, packaging, marking or labeling of conformity certification;
 - (e) may not make reference to any particular trade mark, name, patent, design, type, specific origin or producer unless there is no other sufficiently precise or intelligible way of describing the characteristics of the work, in which case such reference must be accompanied by the words “equivalent”;
 - (f) must indicate each specific goal for which points may be awarded in terms of the points system set out in the Supply Chain Management Policy of the Municipality or Municipal Entity
 - (g) Must be approved by the accounting officer prior to publication of the invitation for bids in terms of paragraph 22 of this Policy.
 - (h) must specify that companies owned by the same director(s) may not bid for the same contract as it exposes the municipality to the risk of collusion and/or price fixing;
- (3) the bid specification committee must be composed of one or more officials of the Municipality, preferably the manager responsible for the function involved and may, when appropriate, include external advisors

- (4) No person, advisor or corporate entity involved with the bid specification committee, or director of such a corporate entity, may bid for any resulting contracts.
- (5) Each member of the Bid Specification Committee must take note and adhere to the “Roles of Bid Committee Members” attached as Annexure C
- (6) Each member of the Bid Specification Committee must sign the “Code of Conduct for Supply Chain Practitioners” document attached as Annexure “D” of this Policy

33 Bid evaluation committees

A bid evaluation committee must –

- (a) evaluate bids in accordance with –
 - (i) the specifications for a specific procurement; and
 - (ii) the points system set out in terms of paragraph 27 (2) (f)
- (b) evaluate each bidder’s ability to execute the contract;
- (c) check in respect of the recommended bidder whether municipal rates and taxes and municipal service charges are not in arrears, and;
- (d) Submit to the adjudication committee a report and recommendations regarding the award of the bid or any other related matter.

The bid evaluation committee must be composed of:

- (a) Official(s) from the Departments requiring the goods or services
- (b) At least one supply chain practitioner from the Municipality
- (c) A Chairperson

33.1 Evaluation on Functionality

Procurement of professional services must be evaluated on functionality. Evaluation on functionality may be used in the procurement of goods and other services where it is deemed fit. When proposals are to be measured on functionality, the following must be applied:

- 33.1.1 Evaluation criteria for measuring functionality must be to evaluate the bidders capability, capacity, experience, track record, etc. other criteria may be added to allow the BEC to evaluate the bidder’s ability to execute the contract;
- 33.1.2 Each criterion must be allocated a weighting and the weights must add up to one hundred percent (100%);
- 33.1.3 Minimum qualifying score for functionality must be stipulated on the bid document and bidders that score less than the minimum qualifying score must be disqualified; and
- 33.1.4 Only bidders have a scored equal to or above the minimum qualifying score must be allocated the preferential points

33.2 Evaluation of bids/proposals/quotations scoring equal points

In an event that bidders score equal points, the following must be applied:

- (a) The awarded bidder must be the one scoring the highest points on BBBEE
- (b) If two or more bids have equal points, including equal preference points for BBBEE, the awarded bidder must be the one scoring the highest points on functionality
- (c) If two or more bidders scores equal points in all aspects, the awarding must be decided by the drawing of lots

33.3 Preferential Points Allocation

REVISED PREFERENTIAL PROCUREMENT REGULATIONS, 2017

Main changes introduced by the revised Preferential Procurement Regulations:

1. Thresholds for application of preference points increased:
 - i. 80/20 preference points – R30 000 up to R50m (Regulation 6)
 1. B-BBEE points for level 3 have been reduced from 16 to 14 to align with the amended codes
 - ii. 90/10 preference points – Above R50m (Regulation 7)
 1. B-BBEE points for level 3 have been reduced from 8 to 6 to align with the amended codes
2. Introduction of pre-qualification criteria based on B-BBEE levels of contribution (Regulation 4) continued...
 - Prequalification criteria may be used in selected tenders to advance designated groups on the basis of B-BBEE Status Level of contributor, EME or QSE or on the basis of subcontracting with EMEs or QSEs which are 51% owned by either of the following: Blacks; Black Youth; Black Women; Black people with disabilities; Black people living in rural or underdeveloped areas or townships; cooperatives owned by Black people; Black people who are military veterans
 - Therefore the introduction of prequalification criteria will allow the advancement of these selected categories of people by limiting competition only amongst them. Well established companies will also be able to compete if they meet further requirements of subcontracting to these groups should they (established company) be successful.
 - This is in keeping with national legislation and the empowerment agenda of government.

When procuring goods and / or service by any method other than petty cash, the Accounting Officer must allocate preferential points as follows:

Effective from 1st April 2017 as per the PPPFA 2017 Regulations

Criteria	Below R50 000,000	Above R50 000,000
Criteria	Points	Points
Price	80	90
BBBEE Status Level of contributor		
1	20	10
2	18	9
3	16	8
4	12	5

5	8	4
6	6	3
7	4	2
8	2	1
Non-compliant contributor	0	0

- (a) Companies with an annual turnover of R10million or less qualify as Exempted Micro Enterprises
- (b) Companies other than Exempted Micro Enterprises must submit their original and valid BBBEE status level certificate or a certified copy thereof, substantiating their BBBEE Rating
- (c) Exempted Micro Enterprises are deemed to have a BBBEE status level of “four” (4). In instances where the Exempted Micro Enterprise is more than 50% black owned, such enterprise qualify for BBBEE status of “level three (3) contributors
- (d) The BBBEE status level attained by the company must be used to determine the number of points to be allocated
- (e) Companies who do not submit a valid BBBEE status level certificate must not be disqualified, but must not be allocated any BBBEE points
- (f) As a minimum requirement, all valid B-BBEE Status Level Verification Certificates should have the following information detailed on the face of the certificate:
 - (i) The name and the physical location of the measured entity;
 - (ii) The registration number and, where applicable, the VAT number of the measured entity;
 - (iii) The date of issue and date of expiry;
 - (iv) The certificate number for identification and reference;
 - (v) The scorecard that was used (for example EME, QSE or Generic);
 - (vi) The name and / or logo of the Verification Agency;
 - (vii) The SANAS or IRBA logo;
 - (viii) The certificate must be signed by the authorized person from the Verification Agency; and
 - (ix) The B-BBEE Status Level of Contribution obtained by the measured entity.
 - (x) Confirm the validity of the verification agency with SANS website

Pre-qualification criteria for preferential procurement

4. (1) If an organ of state decides to apply pre-qualifying criteria to advance certain designated groups, that organ of state must advertise the tender with a specific tendering condition that only one or more of the following tenderers may respond-

- (a) A tenderer having a stipulated minimum B-BBEE status level of contributor;
- (b) AN EME or QSE;
- (c) A tenderer subcontracting a minimum of 30% to-
 - (i) AN EME or QSE which is at least 51% owned by black people;
 - (ii) AN EME or QSE which is at least 51% owned by black people who are youth;
 - (iii) AN EME or QSE which is at least 51% owned by black people who are

women;

(iv) AN EME or QSE which is at least 51% owned by black people with disabilities;

(v) AN EME or QSE which is 51% owned by black people living in rural or Underdeveloped areas or townships;

(vi) A cooperative which is at least 51% owned by black people;

(vii) AN EME or QSE which is at least 51% owned by black people who are Military veterans;

(viii) AN EME or QSE.

(2) A tender that fails to meet any pre-qualifying criteria stipulated in the tender documents are an unacceptable tender.

Tenders to be evaluated on functionality

5. (1) an organ of state must state in the tender documents if the tender will be evaluated on functionality.

(2) The evaluation criteria for measuring functionality must be objective.

(3) The tender documents must specify-

(a) The evaluation criteria for measuring functionality;

(b) The points for each criteria and, if any, each sub-criterion; and

(c) The minimum qualifying score for functionality.

(4) The minimum qualifying score for functionality for a tender to be considered Further-

(a) Must be determined separately for each tender; and

(b) May not be so-

(i) Low that it may jeopardize the quality of the required goods or services; or

(ii) High that it is unreasonably restrictive.

(5) Points scored for functionality must be rounded off to the nearest two decimal places.

(6) A tender that fails to obtain the minimum qualifying score for functionality as indicated in the tender documents is not an acceptable tender.

(7) Each tender that obtained the minimum qualifying score for functionality must be evaluated further in terms of price and the preference point system and any objective criteria envisaged in regulation 11.

80/20 preference point system for acquisition of goods or services for Rand value equal to or above R30 000 and up to R50 million

6. (1) The following formula must be used to calculate the points out of 80 for price In respect of a tender with a Rand value equal to or above R30 000 and up to a Rand value of R50 million, inclusive of all applicable taxes:

$$Ps = 80 \frac{(1 - Pt - Pmin)}{Pmin}$$

Where =

Ps = Points scored for price of tender under consideration;

Pt = Price of tender under consideration; and

Pmin = Price of lowest acceptable tender.

(2) The following table must be used to calculate the score out of 20 for BBEE

BBEE Status Level of Contributor	Number of Points
1	20
2	18
3	14
4	12
5	8
6	6
7	4
8	2
Non-compliant contributor	0

(3) A tenderer must submit proof of its B-BBEE status level of contributor.

(4) A tenderer failing to submit proof of B-BBEE status level of contributor or is a Non-compliant contributor to B-BBEE may not be disqualified, but-

(a) May only score points out of 80 for price; and

(b) Scores 0 points out of 20 for B-BBEE.

(5) A tenderer may not be awarded points for B-BBEE status level of contributor

If the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.

(6) The points scored by a tenderer for B-BBEE in terms of sub regulation (2) must be added to the points scored for price under sub regulation (1).

(7) The points scored must be rounded off to the nearest two decimal places.

(8) Subject to sub regulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.

(9)(a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

(b) The organs of state may-

(i) Negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

(ii) If the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) If the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b) (iii), the organ of state must cancel the tender.

90/10 preference point system for acquisition of goods or services with Rand value above R50 million

7. (1) The following formula must be used to calculate the points out of 90 for price in respect of a tender with a Rand value above R50 million, inclusive of all applicable

Taxes:

$$P_s = 90 \frac{(1 - \frac{P_t - P_{min}}{P_{min}})}{P_{min}}$$

Where =

P_s = Points scored for price of tender under consideration;

P_t = Price of tender under consideration; and

P_{min} = Price of lowest acceptable tender.

(2) The following table must be used to calculate the score out of 20 for BBEE

B-BBEE Status Level of Contributor	Number of Points
1	10
2	9
3	8
4	7
5	6
6	5
7	4
8	3
9	2
0	1
Non-compliant contributor	0

(3) A tenderer must submit proof of its B-BBEE status level of contributor.

(4) A tenderer failing to submit proof of B-BBEE status level of contribution or is a non-compliant contributor to B-BBEE may not be disqualified, but-

(a) May only score points out of 90 for price; and

(b) Scores 0 points out of 10 for B-BBEE.

(5) A tenderer may not be awarded points for B-BBEE status level of contributor if the tender documents indicate that the tenderer intends subcontracting more than 25% of the value of the contract to any other person not qualifying for at least the points that the tenderer qualifies for, unless the intended subcontractor is an EME that has the capability to execute the subcontract.

(6) The points scored by a tenderer for B-BBEE contribution in terms of Sub regulation (2) must be added to the points scored for price under sub regulation (1).

(7) The points scored must be rounded off to the nearest two decimal places.

(8) Subject to sub regulation (9) and regulation 11, the contract must be awarded to the tenderer scoring the highest points.

(9)(a) If the price offered by a tenderer scoring the highest points is not market related, the organ of state may not award the contract to that tenderer.

(b) The organs of state may-

(i) Negotiate a market-related price with the tenderer scoring the highest points or cancel the tender;

(ii) If the tenderer does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the second highest points or cancel the tender;

(iii) If the tenderer scoring the second highest points does not agree to a market-related price, negotiate a market-related price with the tenderer scoring the third highest points or cancel the tender.

(c) If a market-related price is not agreed as envisaged in paragraph (b) (iii), the organ of state must cancel the tender.

33.4 Cancellation and re-invitation of Tenders

The Accounting Officer must cancel a tender under the following conditions:

33.3.1 In the application of the 80/20 preference point system, if **all** bids received exceed R1 000 000, the bid must be cancelled.

33.3.2 If one or more of the acceptable bid(s) received are within the R1 000 000 threshold, all bids received must be evaluated on the 80/20 preference point system.

33.3.3 In the application of the 90/10 preference point system, if **all** bids received are equal to or below R1 million, the bid must be cancelled.

33.3.4 If one or more of the acceptable bid(s) received are above the R1 million thresholds, all bids received must be evaluated on the 90/10 preference point system.

33.3.5 If a bid was cancelled as indicated above, the correct preference point system must be stipulated in the bid documents of the re-invited bid.

(1) The Accounting Officer must, prior to the award of a bid, cancel the bid if:

- (a) Due to changed circumstances, there is no longer a need for the services, works or goods requested. The Accounting Officer must ensure that only goods, services or works that are required to fulfill the needs of the institution are procured; or
- (b) Funds are no longer available to cover the total envisaged expenditure.
The Accounting Officer must ensure that the budgetary provisions exist prior to inviting bids; or
- (c) No acceptable bids are received. If all bids received are rejected, the institution must review the reasons justifying the rejection and consider making revisions to the specific conditions of contract, design and specifications, scope of the contract, or a combination of these, before inviting new bids.

34 Bid Adjudication Committee

34.1 A bid adjudication committee must

(a) Consider the report and recommendations of the bid evaluation committee and

(b) Either

- (i) Depending on its delegations, make a final award or a recommendation to the accounting officer to make the final award or
- (ii) Make another recommendation to the accounting officer on how to proceed with the relevant procurement

34.2 The bid adjudication committee must consist of at least four senior managers of the Municipality which must include:

(a) Chief Financial Officer or, if the Chief Financial Officer is not available, another manager in the budget and treasury office reporting directly to the chief

- financial officer and designated by the chief financial officer
- (b) At least one senior supply chain management practitioner who is an official of the Municipality and
- (c) A technical expert in the relevant field who is an official, if the Municipality has such an expert
- 34.3 The accounting officer must appoint the chairperson of the committee. If the chairperson is absent from a meeting, the members of the committee who are present must elect one of them to preside at the meeting
- 34.4 Neither a member of a bid evaluation committee, nor an advisor or person assisting the evaluation committee, may be a member of a bid adjudication committee
- 34.5 If the bid adjudication committee:
 - 34.5.1 decides to award a bid other than the one recommended by the bid evaluation committee, the bid adjudication committee must prior to awarding the bid
 - (i) Check in respect of the preferred bidder whether that bidder's municipal rates and taxes and municipal service charges are not in arrears for a period of more than three months and
 - (ii) Notify the accounting officer
 - 34.5.2 The accounting officer may
 - (i) After due consideration of the reasons for the deviation, ratify or reject the decision of the bid adjudication committee referred to in paragraph (a) and
 - (ii) If the decision of the bid adjudication committee is rejected, refer the decision of the adjudication committee back to that committee for reconsideration
- 34.6 the accounting officer may at any stage of the bidding process, refer any recommendation made by the evaluation committee or the adjudication committee back to that committee for reconsideration of the recommendation
- 34.7 the accounting officer must comply with section 114 of the Act within 10 working days:
 - 34.7.1 If a tender other than the one recommended in the normal course of implementing the supply chain management policy of a municipality or municipal entity is approved, the accounting officer of the municipality or municipal entity must, in writing, notify the Auditor-General, the relevant provincial treasury and the National Treasury and, in the case of a municipal entity, also the parent municipality, of the reasons for deviating from such recommendation.
 - 34.7.2 Paragraph 7(a) does not apply if a different tender was approved in order to rectify an irregularity.
- 34.8 Post awards and reporting requirements
 - 34.8.1 The Accounting Officer must:
 - 34.8.1.1 Report monthly to National Treasury all awards made above R100,000
 - 34.8.1.2 Publish on the website all awards over R100,000
 - 34.8.1.3 Report quarterly to the Provincial Treasury all long-term contracts
 - 34.8.1.4 In respect of procurement from designated sectors:
 - 34.8.1.4.1 Notify the DTI of all successful bidders and the value of contracts
 - 34.8.1.4.2 Provide the DTI with copies of the contracts, the MBD 6.2 certificate, together with Declaration C submitted by the successful bidders

35 Procurement of banking services

- 35.1 A contract for banking services –
 - (a) Must be procured through competitive bids;
 - (b) Must be consistent with section 7 or 85 of the Act; and
 - (c) May not be for a period exceeding five years at a time.
- 35.2 The process for procuring a contract for banking services must commence at least nine months before the end of an existing contract.
- 35.3 The closure date for the submission of bids should not be less than 60 days from the date on which the advertisement is placed in a newspaper in terms of paragraph 22(1). Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990)
- 35.4 Bids must be restricted to banks registered in terms of the Banks Act, 1990 (Act No. 94 of 1990).

36 Procurement of IT related goods or services

- 36.1 The accounting officer may request the State Information Technology Agency (SITA) to assist with the acquisition of IT related goods or services through a competitive bidding process.
- 36.2 Both parties must enter into a written agreement to regulate the services rendered by, and the payments to be made to, SITA.
- 36.3 The accounting officer must notify SITA together with a motivation of the IT needs if –
 - (a) the transaction value of IT related goods or services required in any financial year will exceed R50 million (VAT included); or
 - (b) the transaction value of a contract to be procured whether for one or more years exceeds R50 million (VAT include
- 36.4 If SITA comments on the submission and the municipality disagrees with such comments, the comments and the reasons for the rejecting or not following such comments must be submitted to the Council, the National Treasury, the Provincial Treasury and the Auditor General

37 Procurement of goods and services under contracts secured by other organs of state

- 37.1 The accounting officer may procure goods or services under a contract secured by another organ of state, but only if –
 - (a) the contract has been secured by that other organ of state by means of a competitive bidding process applicable to that organ of state;
 - (b) there is no reason to believe that such contract was not validly procured;
 - (c) there are demonstrable discounts or benefits to do so;
 - (d) that other organ of state and the provider have consented to such procurement in writing; and
- 37.2 Subparagraphs (1) (c) and (d) do not apply if -
 - (a) a municipal entity procures goods and services through a contract secured by its parent municipality
 - (b) a municipality procures goods or services through a contract secured by a municipal entity of which it is the parent municipality

38 Procurement of goods necessitating special safety arrangement

- 38.1 The acquisition and storage of goods in bulk (other than water), which necessitate special safety arrangements, including gasses and fuel, should be avoided where ever possible.
- 38.2 Where the storage of goods in bulk is justified, such justification must be based on sound reasons, including the total cost of ownership, cost advantages and environmental impact and must be approved by the accounting officer.

39 Proudly SA Campaign

- 39.1 The municipality supports the Proudly SA Campaign to the extent that, all things being equal, preference is given to procuring local goods and services from:
 - 39.1.1 Firstly – suppliers and businesses within the RWLM area of jurisdiction;
 - 39.1.2 Secondly – suppliers and businesses within the Gauteng province;
 - 39.1.3 Thirdly – suppliers and businesses within the Republic.

40 Appointment of consultants

- 40.1 The accounting officer may procure consulting services provided that any Treasury guidelines in respect of consulting services are taken into account when such procurements are made.
- 40.2 Consultancy services must be procured through competitive bids if
 - (a) the value of the contract exceeds R200 000 (VAT included); or
 - (b) The duration period of the contract exceeds one year.
- 40.3 In addition to any requirements prescribed by this policy for competitive bids, bidders must furnish particulars of –
 - (a) all consultancy services provided to an organ of state in the last five years; and
 - (b) Any similar consultancy services provided to an organ of state in the last five years.
- 40.4 The accounting officer must ensure that copyright in any document produced, and the patent rights or ownership in any plant, machinery, thing, system or process designed or devised, by a consultant in the course of the consultancy service is vested in the municipality.

41 Deviation from, and ratification of minor breaches of, procurement processes

- 41.1 The accounting officer may –
 - Dispense with the official procurement processes established by this Policy and to procure any required goods or services through any convenient process, which may include direct negotiations, but only –
 - (i) in an emergency;
 - (ii) if such goods or services are produced or available from a single provider only;
 - (iii) for the acquisition of special works of art or historical objects where specifications are difficult to compile;

- (iv) acquisition of animals for zoos and/or nature and game reserves; or
 - (v) In any other exceptional case where it is impractical or impossible to follow the official procurement processes
- (b) Ratify any minor breaches of the procurement processes by an official or committee acting in terms of delegated powers or duties which are purely of a technical nature.
- 41.2 The accounting officer must record the reasons for any deviations in terms of subparagraphs (1) (a) and (b) and report them to the next meeting of the council and include as a note to the annual financial statements.
- 41.3 Subparagraph (2) does not apply to the procurement of goods and services contemplated in paragraph 11(2) of this policy.

42 Unsolicited bids

- 42.1 In accordance with section 113 of the Act there is no obligation to consider unsolicited bids received outside a normal bidding process
- 42.2 the accounting officer may decide in terms of section 113(2) of the Act to consider an unsolicited bid, only if -
 - (a) the product or service offered in terms of the bid is a demonstrably or proven unique innovative concept;
 - (b) the product or service will be exceptionally beneficial to, or have exceptional cost advantages;
 - (c) the person who made the bid is the sole provider of the product or service; and
 - (d) The reasons for not going through the normal bidding processes are found to be sound by the accounting officer.
- 42.3 If the accounting officer decides to consider an unsolicited bid that complies with subparagraph (2) of this policy, the decision must be made public in accordance with section 21A of the Municipal Systems Act, together with –
 - (a) reasons as to why the bid should not be open to other competitors;
 - (b) an explanation of the potential benefits if the unsolicited bid were accepted; and
 - (c) An invitation to the public or other potential suppliers to submit their comments within 30 days of the notice.
- 42.4 The accounting officer must submit all written comments received pursuant to subparagraph (3), including any responses from the unsolicited bidder, to the National Treasury and the provincial treasury for comment.
- 42.5 The adjudication committee must consider the unsolicited bid and may award the bid or make a recommendation to the accounting officer, depending on its delegations.
- 42.6 A meeting of the adjudication committee to consider an unsolicited bid must be open to the public.
- 42.7 When considering the matter, the adjudication committee must take into account
 - (a) any comments submitted by the public; and
 - (b) Any written comments and recommendations of the National Treasury or the provincial treasury.
- 42.8 If any recommendations of the National Treasury or provincial treasury are rejected or not followed, the accounting officer must submit to the Auditor General, the provincial treasury and the National Treasury the reasons for rejecting or not following those recommendations.
- 42.9 Such submission must be made within seven days after the decision on the

award of the unsolicited bid is taken, but no contract committing the municipality to the bid may be entered into or signed within 30 days of the submission.

43 Combating of abuse of supply chain management system

43.1 The accounting officer must–

- (a) take all reasonable steps to prevent abuse of the supply chain management system;
- (b) investigate any allegations against an official or other role player of fraud, corruption, favoritism, unfair or irregular practices or failure to comply with this Policy, and when justified –
 - (i) take appropriate steps against such official or other role player; or
 - (ii) report any alleged criminal conduct to the South African Police Service;
- (c) check the National Treasury's database prior to awarding any contract to ensure that no recommended bidder, or any of its directors, is listed as a person prohibited from doing business with the public sector;
- (d) reject any bid from a bidder–
 - (i) if any municipal rates and taxes or municipal service charges owed by that bidder or any of its directors to the municipality, or to any other municipality or municipal entity, are in arrears for more than three months; or
 - (ii) who during the last five years has failed to perform satisfactorily on a previous contract with the municipality or any other organ of state after written notice was given to that bidder that performance was unsatisfactory;
- (e) reject a recommendation for the award of a contract if the recommended bidder, or any of its directors, has committed a corrupt or fraudulent act in competing for the particular contract;
- (f) cancel a contract awarded to a person if –
 - (i) the person committed any corrupt or fraudulent act during the bidding process or the execution of the contract; or
 - (ii) an official or other role player committed any corrupt or fraudulent act during the bidding process or the execution of the contract that benefited that person; and
- (g) reject the bid of any bidder if that bidder or any of its directors –
 - (i) has abused the supply chain management system of the municipality or has committed any improper conduct in relation to such system;
 - (ii) has been convicted for fraud or corruption during the past five years;
 - (iii) has willfully neglected, reneged on or failed to comply with any government, municipal or other public sector contract during the past five years; or
 - (iv) Has been listed in the Register for Tender Defaulters in terms of section 29 of the Prevention and Combating of Corrupt Activities Act (No 12 of 2004).
 - (v) Are or have been in the service of the state and or restrictions as prescribed and envisaged in the MBD4 Form

43.2 The accounting officer must inform the National Treasury and relevant provincial treasury in writing of any actions taken in terms of subparagraphs (1)(b)(ii), (e) or (f) of this policy.

Part 3: Logistics, Disposal, Risk and Performance Management

44 Logistics management

- 44.1 The accounting officer must establish and implement an effective system of logistics management, which must include -
- (a) the monitoring of spending patterns on types or classes of goods and services incorporating, where practical, the coding of items to ensure that each item has a unique number;
 - (b) the setting of inventory levels that includes minimum and maximum levels and lead times wherever goods are placed in stock;
 - (c) the placing of manual or electronic orders for all acquisitions other than those from petty cash;
 - (d) before payment is approved, certification by the responsible officer that the goods and services are received or rendered on time and is in accordance with the order, the general conditions of contract and specifications (where applicable) and that the price charged is as quoted in terms of a contract;
 - (e) appropriate standards of internal control and warehouse management to ensure that goods placed in stores are secure and only used for the purpose for which they were purchased;
 - (f) regular checking to ensure that all assets including official vehicles are properly managed, appropriately maintained and only used for official purposes; and
 - (g) Monitoring and review of the supply vendor performance to ensure compliance with specifications and contract conditions for particular goods or services.

STORES / WAREHOUSE MANAGEMENT

45. GENERAL MANAGEMENT OF THE STORES/WAREHOUSE

The role of the store in the logistics system is to:

- 45.1.1 Take delivery of goods from transit;
- 45.1.2 Ensure safe keeping of all items in stores;
- 45.1.3 Issue stock items to different departments;
- 45.1.4 Record all receipts and issue of stock items on the financial system in use; and
- 45.1.5 Capture and issue purchase orders for procurement of goods and services.

46. PURPOSE FOR HOLDING INVENTORY

Inventory in stores shall be held for the following reasons:

- (a) Bulk buying that affords RWLM to receive discount i.e. economies of scale;
- (b) Avoids delivery delays;
- (c) Provide for protection from uncertainties in demand and order cycle; and
- (d) Act as a buffer between critical interfaces within the channel of distribution

47. SETTING OF INVENTORY LEVELS

Inventory levels must be set to avoid any interruptions in the supply of items. In setting inventory levels, the following must be determined:

- (a) Minimum stock level based on the consumption of the items;
- (b) Maximum stock level based on cash-flow management, space availability and

- consumption of the items;
- (c) Re-order point, taking into consideration lead time, consumption and criticality
- (d) Safety inventory for unforeseen circumstances, for critical items only

48. REPORTING AND RECORDING OF INVENTORY ITEMS

- (a) All items entering the stores must be recorded on the financial system
- (b) All inventory issued by the stores must be recorded on the financial system
- (c) All store items on hand at the end of the financial year must be reflected in the financial statement as well as their values;
- (d) The recording of inventory must be in compliance with Generally Recognized Accounting Practices for inventory (GRAP 12)

49. REPLENISHMENT

Replenishment of all stocks must be triggered by the IT or any manual system that is in place.

- (a) Every effort should be made to replenish product groups obtainable from similar suppliers, rather than individual items. This will optimize the materials planning, purchasing and stores efforts.

50 RECEIVING OF STORE ITEMS

Stores officials must ensure that the quantity delivered matched the quantity recorded on the good receiving note and the quality of the items is as per the purchase order.

- (a) Any variances must be communicated with the service provider and any outstanding issues resolved before an invoice is certified for payment.
- (b) Items must be properly marked prior to shelving and bin cards must be amended accordingly
- (c) Inventory items that should not be marked must be referred to the Manager: Supply Chain for decision

51 ISSUING OF ITEMS FROM STORES

- (1) When user departments require items from stores, a requisition must be completed and submitted to the stores department with the following information:
 - (a) Item description;
 - (b) Quantity of items required;
 - (c) Unit of measure;
 - (d) Vote number; and
 - (e) Signature of an authorised official
- (2) Items must be issued only if there are enough funds available on the vote number.
- (3) All issued items must be recorded on the system and reconciled monthly.
- (4) Stock items must be valued on a Weighted Average basis

52 ACCESS CONTROL

- (1) Access to any specific storage facility is limited to authorised stores staff and Controlled by the person in charge of such storage facility;

- (2) Where temporary access is granted to non-stores personnel for any reason, they must be accompanied by authorized stores personnel; and
- (3) The storage facility must be separated into zones, with access limited to the stores personnel responsible for each zone.

53 AUTHORISATION

- (1) No inventory or non-stock items should be moved into, or out of, any storage facility without the correct documentation, and the processing of the relevant receiving, transfers or issue transactions.
- (2) The above mentioned transactions should be processed prior to the movement of the inventory or non-stock item.

54 SAFETY AND HOUSEKEEPING

- (1) Standards of housekeeping, safety and loss control shall be maintained, as required by RWLM procedures, the OHSA and any other relevant legislation;
- (2) This includes the maintenance of special facilities for flammable, corrosive, poisonous and other dangerous items and for environmentally unsafe materials.
- (3) Storage facilities and equipment shall be selected and maintained so as to avoid safety risks.

55 INVENTORY MAINTENANCE AND PRESERVATION

- (1) Inventory items that need maintenance during storage shall be identified by the User department (maintenance or projects/engineering).
- (2) Such maintenance should be scheduled and performed by the User in cooperation with the stores official.
- (3) Items shall be stored in their protective packaging and wrapping. Where such protective packaging has to be removed to inspect the item, it shall be replaced properly to ensure proper quality management.
- (4) Items that need special storage conditions with respect to temperature or humidity control should be identified by the User department, and such special conditions must be provided and maintained by stores management.

56 STORES ADMINISTRATION

- (1) The value of the stockholding shall be balanced on a daily and monthly basis with the receipts of the previous day or month, issues and adjustments.
- (2) Records of all transactions shall be retained for the required retention periods.

57 STOCK TAKING

- (1) Stock taking is performed to determine if the quantities of the physical stores items corresponds with the balances as indicated in the financial system in use;
- (2) Stock taking must be carried out on an Annual basis
- (3) Reports on the findings and requests for approval of any variances and any write offs must be reported and approved by the Accounting Officer or his / her delegate

58 FUNCTIONS OF STOCK TAKING

- (1) The following are functions of stock taking:
 - (a) Determine the stock take programme;
 - (b) Ensure that all accounting transactions have been finalized at year end;
 - (c) Provide a list of all ledger accounts to be verified;
 - (d) Perform the physical stock count of all items in the stores;
 - (e) Compare totals of physical stock with ledger balances;
 - (f) Complete stock take report; and
 - (g) Obtain authority for adjustments of any variances;

59 ORGANISATION OF STOCKTAKING

- (1) The Accounting Officer must appoint a stock taking champion to facilitate the stock taking process. The functions of the stock take champion should include but not limited to the following:
 - (a) Develop a stock take programme;
 - (b) Ensure that all accounting transaction have been finalized;
 - (c) Appoint stock take teams;
 - (d) Coordinate stock take activities at storerooms and inventories at all levels within the municipality; and
 - (e) Compile and submit the stock taking report

60 STOCK TAKE TEAMS

- (1) The Accounting Officer or delegated official must establish stock take teams to perform the stock count. The stock take team(s) must perform the following:
 - (a) Execute the stock take programme;
 - (b) Ensure that all accounting transactions have been finalized;
 - (c) Obtain lists of all ledger accounts to be verified;
 - (d) Perform the stock count;
 - (e) Compare the totals of the physical stock count with ledger balances;
 - (f) Deal with any discrepancies by investigating the cause; and
 - (g) Complete the stock take report for submission and approval

61 STOCK ADJUSTMENTS

- (1) Should the outcome of the stock taking result to any variances, such variances must be dealt with as follows:
 - (a) Reasons for each variance must be documented
 - (b) If there is a need to write off or adjust any stock quantities on the system, such adjustments must be approved by the Accounting Officer prior to capturing on the system

62 ORDERING

- (1) Orders shall be placed under one or all of the following conditions:
 - (a) when a pre-determined inventory level for stores item is reached;
 - (b) or when a request from user department is received for ad hoc items not kept in stores

- (2) An order administration process begins with a receipt of a direct purchase order requisition approved by authorized officials and ends with delivery of the required goods or service at the right time, place, price, quality and quantity

63 ORDER PROCESSING

- (1) An order will be processed upon receipt of documentation duly authorized by the delegated official
- (2) The order must be captured on the financial system in use and duly authorized taking into consideration segregation of duties
- (3) The order must be printed in duplicate, the original copy must be sent to the service provider and the copy be kept by the store for record keeping

64 Disposal management

64.2 The criteria for the disposal or letting of assets, including unserviceable, redundant or obsolete assets, subject to sections 14 and 90 of the Act, are as follows:

- (a) every head of department shall report to the chief financial officer on 31 October and 30 April of each financial year on any fixed assets which such head of department wishes to have written off, stating in full the reasons for such recommendation
- (b) the chief financial officer shall consolidate all such reports and submit a recommendation to the Council on the fixed assets to be written off
 - (i) Assets may only be disposed of as approved by Council
 - (ii) Assets stolen or damaged beyond repair, and replaced by the Municipality's Insurance, may be written off as approved by the Municipality's Insurance and reported annually to Council

64.3 Assets may be disposed of by –

- (a) transferring the asset to another organ of state in terms of a provision of the Act enabling the transfer of assets;
 - (i) transferring the asset to another organ of state at market related value or, when appropriate, free of charge;
 - (ii) selling the asset;
 - (iii) Destroying the asset.
 - (iv) Donating the asset (as approved by Council)

64.4 The accounting officer must ensure that –

- (a) immovable property is sold only at market related prices except when the public interest or the plight of the poor demands otherwise;
- (b) movable assets are sold either by way of written price quotations, a competitive bidding process, auction or at market related prices, whichever is the most advantageous;
- (c) firearms are not sold or donated to any person or institution within or outside the Republic unless approved by the National Conventional Arms Control Committee;
- (d) immovable property is let at market related rates except when the public interest or the plight of the poor demands otherwise;
- (e) all fees, charges, rates, tariffs, scales of fees or other charges relating to the letting of immovable property are annually reviewed;
- (f) where assets are traded in for other assets, the highest possible trade-in price

- is negotiated; and
- (g) In the case of the free disposal of computer equipment, the provincial department of education is first approached to indicate within 30 days whether any of the local schools are interested in the equipment.

65 Risk management

- 65.1 The Municipality should create a system for the systematic identification, consideration and avoidance of potential risks within the Supply Chain Management System.
- 65.2 Risk management must include
 - 65.2.1 The identification of risks on a case-by-case basis
 - 65.2.2 The allocation of risks to the party best suited to manage such risks
 - 65.2.3 Acceptance of the cost of the risk where the cost of transferring the risk is greater than that of retaining it
 - 65.2.4 The management of risks in a pro-active manner and the provision of adequate cover for residual risks
 - 65.2.5 The assignment of relative risks to the contracting parties through clear and unambiguous contract documentation

66 Performance management

- 66.1. The CFO must establish and implement an internal monitoring system in order to determine the basis of a retrospective analysis whether the authorized SCM processes were followed and whether the measurable performance objectives linked to and approved with the budget and service delivery and budget implementation plan, were achieved.
- 66.2. The relevant Project Manager must ensure that the performance of all contractors is assessed during the period of the contract.
- 66.3. At the completion stage of the project/contract, an assessment of the contractor shall be undertaken and this assessment should be available for future reference.
- 66.4. Performance management shall accordingly be characterised by a monitoring process and retrospective analysis to determine whether:
 - 66.4.1. Value for money has been attained;
 - 66.4.2. Proper processes have been followed;
 - 66.4.3. Desired objectives have been achieved;
 - 66.4.4. There is an opportunity to improve the process;
 - 66.4.5. Suppliers have been assessed and what that assessment is; and
 - 66.4.6. There has been deviation from procedures and, if so, what the reasons for that deviation are.
- 66.5. The performance management system shall accordingly focus on, amongst others:
 - 66.5.1. Achievement of goals;
 - 66.5.2. Compliance to norms and standards;
 - 66.5.3. Savings generated;
 - 66.5.4. Cost variances per item;
 - 66.5.5. Non-compliance with contractual conditions and requirements; and

66.5.6. The cost efficiency of the procurement process itself.

66.6. The CFO shall report quarterly to the Council on the following aspects:

- 66.6.1. Total procurement spends;
- 66.6.2. Percentage of total spends directed towards BEE and/or designated groups;
- 66.6.3. Percentage of total spends directed towards SMME's;
- 66.6.4. Process disputes; and
- 66.6.5. Instances of alleged and proven fraud and corruption.

66.7. Information regarding deviation process followed. Examples of such processes are:

- 66.7.1. Non-utilization of supplier database;
- 66.7.2. Subdividing of total requirements; and
- 66.7.3. Unplanned spending and obtaining less than the required number of quotations.

CHAPTER 3

ETHICAL CONSIDERATIONS

67 Ethical standards

- 67.1 A code of ethical standards as set out in the *“National Treasury’s code of conduct for supply chain practitioners and other role players involved in supply chain management”* is hereby established for officials and other role players in the supply chain management system of the Municipality in order to promote
- (a) mutual trust and respect; and
 - (b) An environment where business can be conducted with integrity and in a fair and reasonable manner.
- 70.2 An official or other role player involved in the implementation of this Policy
- (a) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (b) must be scrupulous in his or her use of property belonging to municipality;
 - (c) must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and
 - (d) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favoritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) Any alleged breach of this code of ethical standards.
- 70.3 Declarations in terms of subparagraphs (2)(d) and (e) -
- (a) must be recorded in a register which the accounting officer must keep for this purpose;
 - (b) By the accounting officer must be made to the mayor of the municipality who must ensure that such declarations are recorded in the register.
- 70.4 The National Treasury’s code of conduct must also be taken into account by

supply chain management practitioners and other role players involved in supply chain management.

70.5 A breach of the code of ethics must be dealt with as follows -

70.5.1 in the case of an employee, in terms of the disciplinary procedures of the municipality envisaged in section 67(1)(h) of the Municipal Systems Act;

70.5.2 In the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.

70.5.3 In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

71 Inducements, rewards, gifts and favours to municipalities, officials and other role players

71.2 No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

- (a) any inducement or reward to the **municipality** for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) Any other role player involved in the implementation of this Policy.

71.3 The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

71.4 Subparagraph (1) does not apply to gifts less than R350 in value.

72 Sponsorships

The accounting officer must promptly disclose to the National Treasury and the relevant provincial treasury any sponsorship promised, offered or granted, whether directly or through a representative or intermediary, by any person who is –

- (a) a provider or prospective provider of goods or services; or
- (b) a recipient or prospective recipient of goods disposed or to be disposed of, by the Municipality

CHAPTER 4

OBJECTIONS AND COMPLAINTS AND THE RESOLUTION OF DISPUTES, OBJECTIONS, COMPLAINTS AND QUERIES

73 Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this supply chain management system, must lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

74 Resolution of disputes, objections, complaints and queries

- 74.1 The accounting officer must appoint an independent and impartial person, not directly involved in the supply chain management processes –
- (a) to assist in the resolution of disputes between the **municipality** and other persons regarding -
 - (i) any decisions or actions taken in the implementation of the supply chain management system; or
 - (ii) any matter arising from a contract awarded in the course of the supply chain management system; or
 - (b) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.
- 74.2 The accounting officer, or another official designated by the accounting officer, is responsible for assisting the appointed person to perform his or her functions effectively.
- 74.3 The person appointed must –
- (a) strive to resolve promptly all disputes, objections, complaints or queries received; and
 - (b) submit monthly reports to the accounting officer on all disputes, objections, complaints or queries received, attended to or resolved.
- 74.4 A dispute, objection, complaint or query may be referred to the provincial treasury if –
- (a) the dispute, objection, complaint or query is not resolved within 60 days; or
 - (b) No response is forthcoming within 60 days.
- 74.5 If the provincial treasury does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.
- 74.6 This paragraph must not be read as affecting a person's rights to approach a court at any time.

CHAPTER 5

OTHER MATTERS

Prohibition on awards to persons whose tax matters are not in order

75. (1) **No award above R15 000 may be made in terms of this Policy to a person whose tax matters have not been declared by the South African Revenue Service to be in order.**
- (2) **Before making an award to a person the accounting officer must first check with SARS whether that person's tax matters are in order.**

- (3) If SARS does not respond within 7 days such person's tax matters may for purposes of subparagraph (1) be presumed to be in order.

Prohibition on awards to persons in the service of the state

76. Irrespective of the procurement process followed, no award may be made to a person in terms of this Policy –

- (a) who is in the service of the state;
- (b) if that person is not a natural person, of which any director, manager, principal shareholder or stakeholder is a person in the service of the state; or
- (c) a person who is an advisor or consultant contracted with the **municipality**

Awards to close family members of persons in the service of the state

77. The accounting officer must ensure that the notes to the annual financial statements disclose particulars of any award of more than R2000 to a person who is a spouse, child or parent of a person in the service of the state, or has been in the service of the state in the previous twelve months, including –

- (a) the name of that person;
- (b) the capacity in which that person is in the service of the state; and
- (c) the amount of the award.

Ethical standards

78. (1) A code of ethical standards is hereby established for officials and other role players in the supply chain management system of the **Rand West City Local Municipality** in order to promote –

- (a) mutual trust and respect; and
- (b) an environment where business can be conducted with integrity and in a fair and reasonable manner.

- (2) An official or other role player involved in the implementation of this Policy
- (a) must treat all providers and potential providers equitably;
 - (b) may not use his or her position for private gain or to improperly benefit another person;
 - (c) may not accept any reward, gift, favors, hospitality or other benefit directly or indirectly, including to any close family member, partner or associate of that person, of a value more than R350;
 - (d) notwithstanding subparagraph (2) (c), must declare to the accounting officer details of any reward, gift, favors, hospitality or other benefit promised, offered or granted to that person or to any close family member, partner or associate of that person;
 - (e) must declare to the accounting officer details of any private or business interest which that person, or any close family member, partner or associate, may have in any proposed procurement or disposal process of, or in any award of a contract by, the **Rand West City Local Municipality**
 - (f) must immediately withdraw from participating in any manner whatsoever in a procurement or disposal process or in the award of a contract in which that person, or any close family member, partner or associate, has any private or business interest;
 - (g) must be scrupulous in his or her use of property belonging to **Rand West City Local Municipality**
 - (h) must assist the accounting officer in combating fraud, corruption, favoritism and unfair and irregular practices in the supply chain management system; and
 - (i) must report to the accounting officer any alleged irregular conduct in the supply chain management system which that person may become aware of, including –
 - (i) any alleged fraud, corruption, favoritism or unfair conduct;
 - (ii) any alleged contravention of paragraph 47(1) of this Policy; or
 - (iii) any alleged breach of this code of ethical standards.
- (3) Declarations in terms of subparagraphs (2)(d) and (e) -

- (a) must be recorded in a register which the accounting officer must keep for this purpose;
- (b) by the accounting officer must be made to **the mayor of the municipality** who must ensure that such declarations are recorded in the register.

(4) The National Treasury's code of conduct must also be taken into account by supply chain management practitioners and other role players involved in supply chain management.

(5) A breach of the code of ethics must be dealt with as follows -

- (a) in the case of an employee, in terms of the disciplinary procedures envisaged in section 67(1)(h) of the Municipal Systems Act;
- (b) in the case a role player who is not an employee, through other appropriate means in recognition of the severity of the breach.
- (c) In all cases, financial misconduct must be dealt with in terms of chapter 15 of the Act.

Inducements, rewards, gifts and favours to [municipalities / municipal entities], officials and other role players

79. (1) No person who is a provider or prospective provider of goods or services, or a recipient or prospective recipient of goods disposed or to be disposed of may either directly or through a representative or intermediary promise, offer or grant –

- (a) any inducement or reward to the **Rand West City Local Municipality** for or in connection with the award of a contract; or
- (b) any reward, gift, favour or hospitality to –
 - (i) any official; or
 - (ii) any other role player involved in the implementation of this Policy.

(2) The accounting officer must promptly report any alleged contravention of subparagraph (1) to the National Treasury for considering whether the offending person, and any representative or intermediary through which such person is alleged to have

acted, should be listed in the National Treasury's database of persons prohibited from doing business with the public sector.

- (3) Subparagraph (1) does not apply to gifts less than R350 in value.

80 Contracts providing for compensation based on turnover

If a service provider acts on behalf of a **municipality** to provide any service or act as a collector of fees, service charges or taxes and the compensation payable to the service provider is fixed as an agreed percentage of turnover for the service or the amount collected, the contract between the service provider and the **municipality** must stipulate –

- (a) a cap on the compensation payable to the service provider; and
- (b) That such compensation must be performance based.

81 Indigents Funerals

1. The Accounting Officer would deviate from normal scm processes in respect of procuring funeral undertake services for the Indigent households who qualify as per the Council Approved Indigent Policy
2. Ward based or Wards Region Undertakers will be selected and used on the agreed same rates across the Rand West City Region – R5000 Adults and R3000 children
3. The Ward Council Representative of Council will approve and submit the required application to the Mayor for support as stated above.
4. Only Undertakers who have agreed to the above rates, as part of their Social Responsibility, would be used given their less than normal rates.

Supplementary SCM Policy for Infrastructure Procurement and Delivery Management of Rand West City Local Municipality

- 81 All construction procurement must be done in compliance with the CIDB Regulations and
- 82 SCM Policy Infrastructure Procurement and Delivery Management Standard issued in terms of Section 168 of the Municipal Finance Management Act of 2003 in support of,

Procurement and Delivery Management which establishes:

- a) requirements for the following matters as applied to the supply chain management system for infrastructure delivery:
- institutional arrangements;
 - demand management;
 - acquisition management;
 - contract management;
 - logistics management;
 - disposal management;
 - reporting of supply chain management information;
 - regular assessment of supply chain management performance; and
 - risk management and internal control; and
- b) A control framework for the planning, design and implementation of infrastructure projects and infrastructure procurement.

Preface

Public procurement that is unrelated to infrastructure delivery typically relates to goods and services that are standard, well-defined and readily scoped and specified. Once purchased, goods invariably need to be taken into storage prior to being issued to employees. Services most often involve routine, repetitive services with well understood interim and final deliverables which do not require strategic inputs or require decisions to be made regarding the fitness for purpose of the service outputs.

In contrast, procurement relating to the provision of new infrastructure or the rehabilitation, refurbishment or alteration of existing infrastructure covers a wide and diverse range of goods and services, which are required to provide or alter the condition of immovable assets on a site. Accordingly, the procurement process for the delivery of infrastructure involves the initial and subsequent recurring updating of planning processes at a portfolio level flowing out of an assessment of public sector service delivery requirements or business needs. Thereafter it involves planning at a project level and the procurement and management of a network of suppliers, including subcontractors, to produce a product on a site. There is no need to store and issue materials or equipment unless these are issued to employees responsible for the maintenance or operation of infrastructure, or are issued free of charge to contractors for incorporation into the works.

Procurement is the process which creates, manages and fulfils contracts. Procurement deals with activities surrounding contracts. Such processes focus on establishing what is to be procured, developing a procurement strategy, producing procurement documentation, soliciting and evaluating tender offers, awarding of contracts and administering contracts. On the other hand, supply chain management (SCM) is the design, planning, execution, control and monitoring of supply chain activities in the delivery of goods, services or any combination thereof. Supply chains comprise all those public and private entities that are involved in delivering the inputs, outputs and outcomes of projects. Accordingly, supply chain management is concerned with the oversight, co-ordination and monitoring of inputs, outputs and outcomes of projects from the various entities within a supply chain.

Infrastructure is defined as “immovable assets which are acquired, constructed or which results from construction operations or moveable assets which cannot function independently from purpose built immovable assets” while infrastructure delivery is defined as “the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure.” Accordingly, infrastructure delivery management contextualizes the supply chain management system for infrastructure.

Understandably, there are several overlaps between the supply chain management system for general goods and services and that for infrastructure delivery management. However, the inclusion of control frameworks in the Standard for Infrastructure Procurement and Delivery Management is aimed at expenditure control and a reduction in the gap between what is planned and budget for and what is delivered to ensure that value for money is achieved.

The primary purpose of this document is to embed an infrastructure delivery management system for Rand West City Local Municipality which is aligned with the regulatory framework for public sector procurement, supply chain management and expenditure control. It also enables the National Treasury Standard for Infrastructure Procurement and Delivery Management to be implemented.

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Scope

This policy establishes the Rand West City Municipality's policy for infrastructure procurement and delivery management in accordance with the provisions of the regulatory frameworks for

procurement and supply chain management. It includes the procurement of goods and services necessary for a new facility to be occupied and used as a functional entity but excludes:

- a) the storage of goods and equipment following their delivery to Rand West City which are stored and issued to contractors or to employees;
- b) the disposal or letting of land;
- c) the conclusion of any form of land availability agreement;
- d) the leasing or rental of moveable assets; and
- e) Public private partnerships.

Terms, definitions and abbreviations

2.1 Terms and definitions

For the purposes of this document, the definitions and terms given in the standard and the following apply:

Agent: person or organization that is not an employee of Rand West City Local Municipality that acts on the Rand West City Local Municipality's behalf in the application of this document

Authorised person: the municipal manager or chief executive or the appropriately delegated authority to award, cancel, amend, extend or transfer a contract or order

Conflict of interest: any situation in which:

- a) Someone in a position of trust has competing professional or personal interests which make it difficult for him to fulfil his duties impartially,
- b) An individual or organization is in a position to exploit a professional or official capacity in some way for his personal or for corporate benefit, or
- c) Incompatibility or contradictory interests exist between an employee and the organization which employs that employee

Contract manager: person responsible for administering a package on behalf of the employer and performing duties relating to the overall management of such contract from the implementer's point of view

family member: a person's spouse, whether in a marriage or in a customary union according to indigenous law, domestic partner in a civil union, or child, parent, brother, sister, whether such a relationship results from birth, marriage or adoption

Framework agreement: an agreement between an organ of state and one or more contractors, the purpose of which is to establish the terms governing orders to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged

gate: a control point at the end of a process where a decision is required before proceeding to the next process or activity

Gateway review: an independent review of the available information at a gate upon which a decision to proceed or not to the next process is based

Gratification: an inducement to perform an improper act

Infrastructure delivery: the combination of all planning, technical, administrative and managerial actions associated with the construction, supply, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Infrastructure procurement: the procurement of goods or services including any combination thereof associated with the acquisition, renovation, rehabilitation, alteration, maintenance, operation or disposal of infrastructure

Maintenance: the combination of all technical and associated administrative actions during an item's service life to retain it in a state in which it can satisfactorily perform its required function

Operation: combination of all technical, administrative and managerial actions, other than maintenance actions, that results in the item being in use

Order: an instruction to provide goods, services or any combination thereof under a framework agreement

Organ of state: an organ of state as defined in section 239 of the Constitution of the Republic of South Africa

Procurement document: documentation used to initiate or conclude (or both) a contract or the issuing of an order

principal: a natural person who is a partner in a partnership, a sole proprietor, a director a company established in terms of the Companies Act of 2008 (Act No. 71 of 2008) or a member of a close corporation registered in terms of the Close Corporation Act, 1984, (Act No. 69 of 1984)

Standard: the latest edition of the Standard for Infrastructure Procurement and Delivery Management as published by National Treasury

Working day: any day of a week on which is not a Sunday, Saturday or public holiday

2.2 Abbreviations

For the purposes of this document, the following abbreviations apply

CIDB: Construction Industry Development Board

SARS: South African Revenue Services

General requirements

3.1 Delegations

3.1.1 The Council of Rand West City Local Municipality hereby delegates all powers and duties to the Municipal Manager which are necessary to enable the Municipal Manager to:

- a) discharge the supply chain management responsibilities conferred on accounting officers in terms of Chapter 8 or 10 of the Local Government Municipal Finance Management Act of 2003 and this document;
- b) Maximise administrative and operational efficiency in the implementation of this document;
- c) Enforce reasonable cost-effective measures for the prevention of fraud, corruption, favouritism and unfair and irregular practices in the implementation of this document; and
- d) Comply with his or her responsibilities in terms of section 115 and other applicable provisions of the Local Government Municipal Finance Management Act of 2003 Act.

3.1.2 No departure shall be made from the provisions of this policy without the approval of the Municipal Manager of [name of municipality or municipal entity]

3.1.3 The Municipal Manager shall for oversight purposes:

- a) within 30 days of the end of each financial year, submit a report on the implementation of this the policy and the equivalent policy of any municipal entity under the sole or shared control of the [name of municipality], to the council of the [name of municipality] / within 20 days of the end of each financial year, submit a report on the implementation of this policy to the board of directors, who must then submit the report to the municipal manager of [name of parent municipality] for submission to the council;
- b) Whenever there are serious and material problems in the implementation of this policy, immediately submit a report to the [council / board of directors], who must then submit the report to the municipal manager of [name of municipality] for submission to the council;
- a) within 10 days of the end of each quarter, submit a report on the implementation of the policy to the [mayor / board of directors; and
- b) Make the reports public in accordance with section 21A of the Municipal Systems Act of 2000.

3.2 Implementation of the Standard for Infrastructure Procurement and Delivery Management

3.2.1 Infrastructure procurement and delivery management shall be undertaken in accordance with the all applicable legislation and the relevant requirements of the latest edition of the National Treasury Standard for Infrastructure Procurement and Delivery Management.

3.2.2 Pre-feasibility and feasibility reports are required

3.2.3 Stage 3 to 7 is required for

3.3 Supervision of the infrastructure delivery management unit

The Infrastructure Delivery Management Unit shall be directly supervised by the [chief financial officer / person delegated in terms of section 82 of the MFMA].

3.4 Objections and complaints

Persons aggrieved by decisions or actions taken in the implementation of this policy, may lodge within 14 days of the decision or action, a written objection or complaint against the decision or action.

3.5 Resolution of disputes, objections, complaints and queries

3.5.1 The Municipal Manager shall appoint an independent and impartial person, not directly involved in the infrastructure delivery management processes to assist in the resolution of disputes between the Municipality and other persons regarding:

- a) any decisions or actions taken in the implementation of the supply chain management system;
- b) any matter arising from a contract awarded within the Municipality infrastructure delivery management system; or
- c) To deal with objections, complaints or queries regarding any such decisions or actions or any matters arising from such contract.

3.5.2 The [designated person] shall assist the person appointed in terms of 3.5.1 to perform his or her functions effectively.

3.5.3 The person appointed in terms of 3.5.1 shall:

- a) strive to resolve promptly all disputes, objections, complaints or queries received; and
- b) Submit monthly reports to the [municipal manager / chief executive] on all disputes, objections, complaints or queries received, attended to or resolved.

3.5.4 A dispute, objection, complaint or query may be referred to the [name of applicable treasury] if:

- a) The dispute, objection, complaint or query is not resolved within 60 days; or
- b) No response is forthcoming within 60 days.

3.5.5 If the [name of applicable provincial treasury] does not or cannot resolve the matter, the dispute, objection, complaint or query may be referred to the National Treasury for resolution.

Control framework for infrastructure delivery management

4.1 Assignment of responsibilities for approving or accepting end of stage deliverables

The responsibilities for approving or accepting end of stage deliverables shall be as stated in Table 1.

4.2 Additional gates

The following additional gates shall apply:

.....

4.3 Additional requirements

The following additional requirements apply:

.....

4.4 Gateway reviews

4.4.1 Gateway reviews for major capital projects above a threshold

4.4.1.1 [Designated person] shall appoint a gateway review team in accordance with the provisions of clause 4.1.13.1.2 of the standard to undertake gateway reviews for major capital projects.

4.4.1.2 The requirements for a gateway review in addition to those contained in section 4.1.13 of the standard are as follows:

4.4.2 Elective gateway reviews

Gateway reviews shall be undertaken

Table 1: Responsibilities for approving or accepting end of stage deliverables in the control framework for the management of infrastructure delivery

Stage No	Person assigned the responsibility for approving or accepting end of stage deliverables	
	Name	
0	Project initiation	[Designated person] accepts the initiation report

- 1 Infrastructure planning [Designated person] approves the infrastructure plan
- 2 Strategic resourcing [Designated person] approves the delivery and / or procurement strategy
- 3 Pre-feasibility [Designated person] accepts the pre-feasibility report
Preparation and briefing [Designated person] accepts the strategic brief
- 4 Feasibility [Designated person] accepts the feasibility report
Concept and viability [Designated person] accepts the concept report
- 5 Design development [Designated person] accepts the design development report
- 6 Design documentation 6A Production information [Designated person] accepts the parts of the production information which are identified when the design development report is accepted as requiring acceptance
6B Manufacture, fabrication and construction information The contract manager accepts the manufacture, fabrication and construction information
- 7 Works The contract manager certifies completion of the works or the delivery of goods and associated services
- 8 Handover The owner or end user accepts liability for the works
- 9 Package completion The contract manager or supervising agent certifies the defects certificate in accordance with the provisions of the contract
The contract manager certifies final completion in accordance with the provisions of the contract
[Designated person] accepts the close out report

Control framework for infrastructure procurement

5.1 The responsibilities for taking the key actions associated with the formation and conclusion of contracts including framework agreements above the quotation threshold shall be as stated in Table 2.

5.2 The responsibilities for taking the key actions associated with the quotation procedure and the negotiation procedure where the value of the contract is less than the threshold set for the quotation procedure shall be as follows:

- a) [designated person] shall grant approval for the issuing of the procurement documents, based on the contents of a documentation review report developed in accordance with the provisions of the standard;
- b) The authorised person may award the contract if satisfied with the recommendations contained in the evaluation report prepared in accordance with the provisions of the standard.

5.3 The responsibilities for taking the key actions associated with the issuing of an order in terms of a framework agreement shall be as stated in Table 3.

Infrastructure delivery management requirements

6.1 Institutional arrangements

6.1.1 Committee system for procurement

6.1.1.1 General

6.1.1.1.1 A committee system comprising the documentation committee, evaluation committee and tender committee shall be applied to all procurement procedures where the estimated value of the procurement exceeds the financial threshold for quotations and to the putting in place of framework agreements.

6.1.1.1.2 The evaluation committee shall, where competition for the issuing of an order amongst framework contractors takes place and the value of the order exceeds the financial threshold for quotations, evaluate the quotations received.

6.1.1.1.3 The persons appoint in writing as technical advisors and subject matter experts may attend any committee meeting.

6.1.1.1.4 No person who is a political officer bearer, a public office bearer including any councilor of a municipality, a political advisor or a person appointed in terms of section 12A of the Public Service Act of 1994 or who has a conflict of interest shall be appointed to a procurement documentation, evaluation or tender committee.

6.1.1.1.5 Committee decisions shall as far as possible be based on the consensus principle i.e. the general agreement characterized by the lack of sustained opposition to substantial issues. Committees shall record their decisions in writing. Such decisions shall be kept in a secured environment for a period of not less than five years after the completion or cancellation of the contract unless otherwise determined in terms of the National Archives and Record Services Act of 1996.

6.1.1.1.6 Committees may make decisions at meetings or, subject to the committee chairperson's approval, on the basis of responses to documents circulated to committee members provided that not less than sixty percent of the members are present or respond to the request for responses. Where the committee chairperson is absent from the meeting, the members of the committee who are present shall elect a chairperson from one of them to preside at the meeting.

6.1.1.2 Procurement documentation committee

6.1.1.2.1 The Municipal Manager shall appoint in writing on a procurement by procurement basis:

- a) the persons to review the procurement documents and to develop a procurement documentation review report in accordance with clause 4.2.2.1 of the standard; and
- b) The members of the procurement documentation committee.

6.1.1.2.2 The procurement documentation committee shall comprise one or more persons. The chairperson shall be an employee of Rand West City Local Municipality with requisite skills. Other members shall, where relevant, include a representative of the end user or the department requiring infrastructure delivery.

6.1.1.2.3 No member of, or technical adviser or subject matter expert who participates in the work of the any of the procurement committees or a family member or associate of such a member, may tender for any work associated with the tender which is considered by these committees.

Table 2: Procurement activities and gates associated with the formation and conclusion of contracts

74 Procurement of Construction works

74.1 When procuring construction goods or services, the Accounting Officer must:

- (a) Advertise the request for proposals or expression of interest on the CIDB website;
- (b) Indicate the construction grading and the applicable class of work as per Schedule 1 of this policy;
- (c) Comply with the Infrastructure Procurement & Delivery Policy Standard for Uniformity in Construction Procurement; and
- (d) Indicate that only proposals from contractors registered with CIDB in the applicable grading and class of work will be considered.

75 The Accounting Officer must before awarding a construction works Contract, satisfy him/herself that the contractor concerned:

- (a) Is registered in terms of the CIDB regulations;
 - (b) Is not prohibited in terms of any legislation from submitting tender offers or expression of interest to an organ of state; and
 - (c) Has demonstrated that:
 - (i) He/she has the resources, capacity and capability to successfully execute and complete the contract concerned
 - (ii) His/her capacity to perform the construction works concerned will not be unduly compromised on the award of the contract concerned
- 74.3 Any tender offer received from a contractor that does not satisfy the CIDB requirements or any requirement stipulated by the municipality must be rejected

76 Registration by the Municipality

75.1 The Accounting Officer must

- (a) register with the CIDB Board as an employer
- (b) appoint a representative to access the register of projects and register of contractors on behalf of the municipality; and
- (c) Ensure that the representative complies with all the requirements of the CIDB Regulations.

2. Joint Ventures

76.1 Joint Ventures are eligible to submit tender offers or expression of interest only if:

- (a) Every member of the joint venture is a registered contractor in terms of CIDB Regulations;
- (b) Tax matters of each member must be in order
- (c) The municipal accounts for each member may not be in arrears for more than 90 days
- (d) The lead partner has a contractor grading designation in the class of works under consideration; and
- (e) The category of registration of the joint venture, is equal to or higher than the grading and class of works indicated on the tender advert

76.2 The municipality must only use the CIDB website to calculate the contractor grading of a joint venture

3. Registration of Construction Projects

77.1 The Accounting Officer must within 21 working days from the date on which a contractor has accepted the offer to perform the construction work in writing, apply on the approved form to the CIDB Board for registration of a project. The municipality must indicate in the application whether:

- (a) The project being registered relates to a projects that consist of a series of contracts; or
- (b) The project relates to a public-private partnership; and
- (c) The municipality acts on behalf of the contractor

78 Non-responsive bids

78.1 Construction Bids will be deemed as non-responsive when the bidder:

- (a) is not registered and accredited by the CIDB Board;
- (b) is not registered in the class of works as indicated on the tender advert;
- (c) grading is lower than the grading indicated in the tender advert;
- (d) failed to sign the bid document; and
- (e) does not comply with any terms and condition of the advert and the tender

79 Extending or varying a contract

79.1 Subject to subsection (2), the Bid Adjudication Committee may recommend to the Accounting Officer that a contract may be extended or varied if it is deemed appropriate. Any variation or extension must be recommended by the Bid Adjudication Committee before approval by the Accounting Officer.

79.2 The municipality must not extend or vary a contract:-

- (a) more than once;
- (b) for a period exceeding the duration of the original agreement; or
- (c) For an amount exceeding fifteen percent (15%) of the original bid value.
- (d) For an amount not exceeding twenty percent (20%) of the original bid value for construction projects

79.3 The responsibility of the accounting officer in terms of this section may not be assigned nor delegated.

80 Contract management

80.1 Any contract or agreement for supply and delivery of goods and/or services must be in accordance with this policy

- (a) a contract or agreement procured through the supply chain process must:
 - (i) be in writing;
 - (ii) stipulate the terms and conditions of contract in terms of non-performance or under-performance, payment terms, dispute resolution;

- (b) The Accounting Officer must take all reasonable steps to ensure that a contract is properly enforced.
- (c) Any amendments to the contract must be in accordance with Sec 116(3) of the Act: a contract or agreement procured through the supply chain management policy of the municipality or municipal entity may be amended by the parties, but only after—
- (i) the reasons for the proposed amendment have been tabled in the council of the municipality or, in the case of a municipal entity, in the council of its parent municipality; and
- (ii) the local community—
- has been given reasonable notice of the intention to amend the contract or agreement; and
 - Has been invited to submit representations to the municipality or municipal entity.

81 Short title and Commencement

This Policy is called the Supply Chain Management Policy of Rand West City Local Municipality and takes effect from [DATE]

As per the Local Government Municipal Finance Management Act based on [Council Resolution]